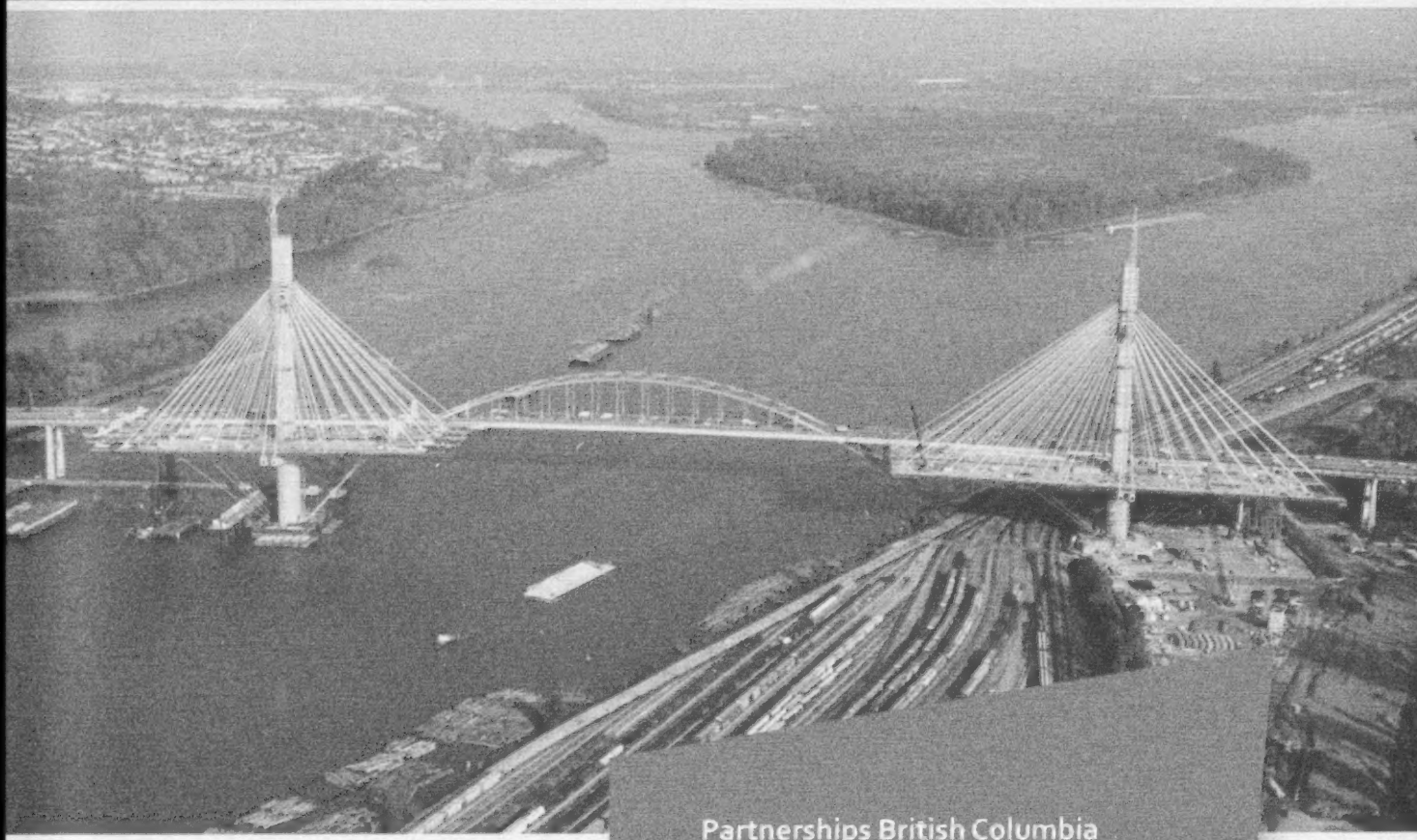
partnerships
British Columbia

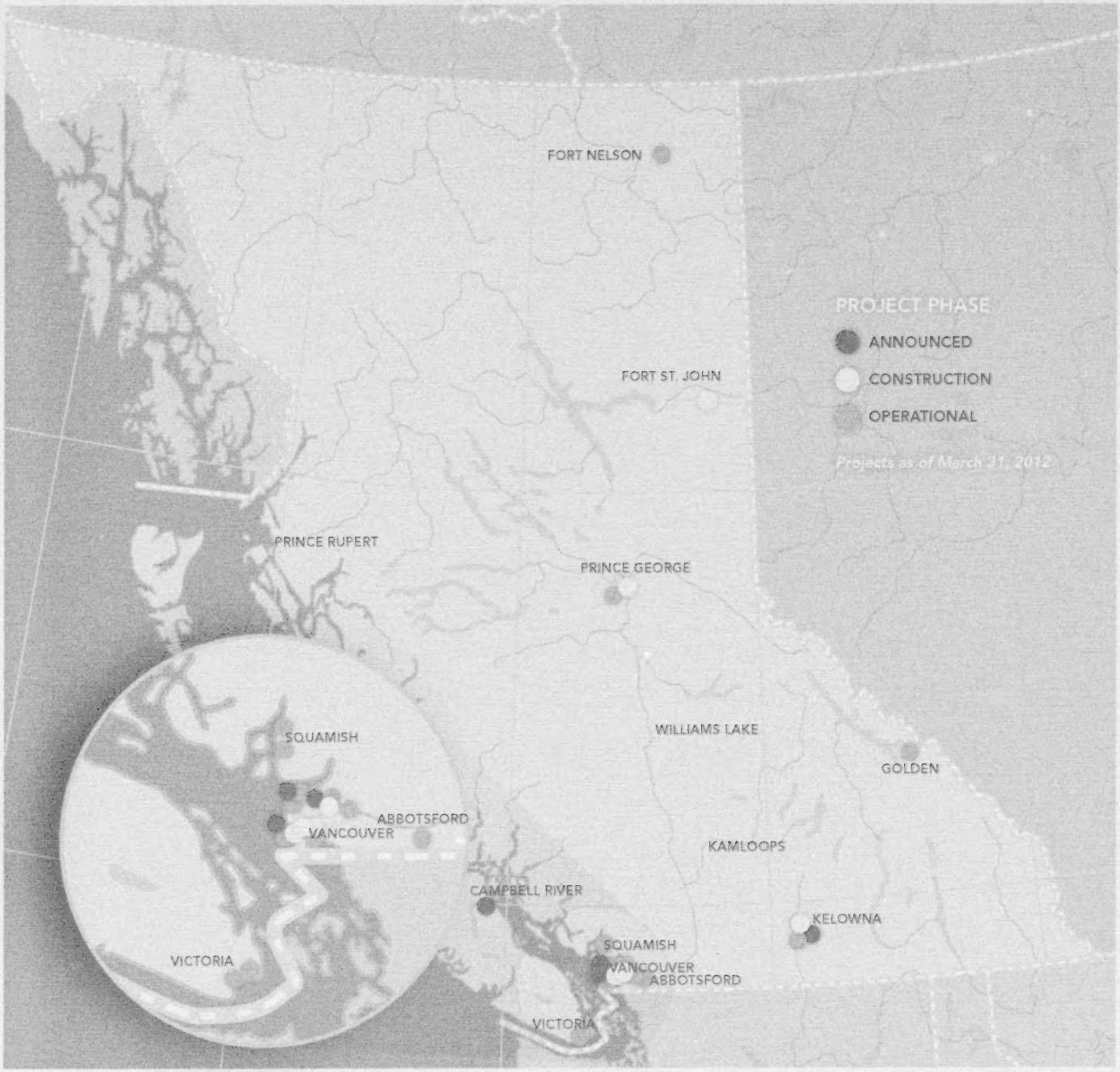


Partnerships British Columbia

Annual Report

2011/2012

BRITISH COLUMBIA



BC Housing Single Room Occupancy (SRO) Renewal Initiative

Evergreen Line Rapid Transit

Interior Heart and Surgical Centre

John Hart Generating Station Replacement

Smart Metering Program

BC Cancer Agency Centre for the North

Fort St. John Hospital and Residential Care

Interior Heart and Surgical Centre Clinical Support Building

Jim Pattison Outpatient Care and Surgery Centre

Kelowna Vernon Hospitals

Port Mann/Highway 1 Improvement

Smart Metering

South Fraser Perimeter Road

Surrey Memorial Hospital

Surrey Pretrial Services Centre

Abbotsford Regional Hospital and Cancer Centre

Britannia Mine Water Treatment Plant

Canada Line

Charles Jago Northern Sport Centre

Golden Ears Bridge

Gordon and Leslie Diamond Health Care Centre

Kicking Horse Canyon – Phase 2

Modular Classroom Project

Pitt River Bridge and May Hill Interchange

Residential Care and Assisted Living Capacity

Royal Jubilee Hospital Patient Care Centre

Sea-to-Sky Highway

Sierra Yoyo Desan Resource Road

William R. Bennett Bridge

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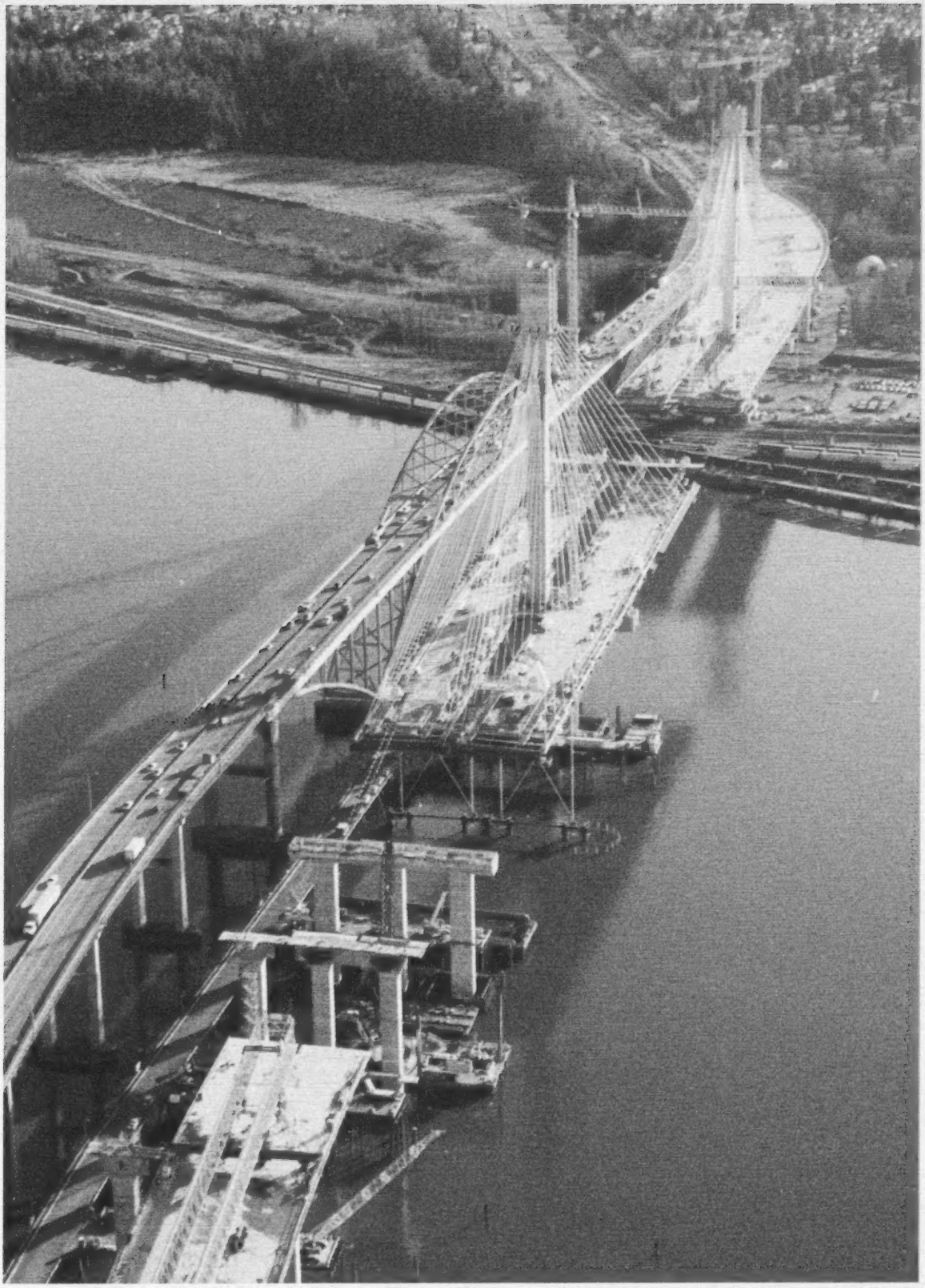


Port Mann/Highway 1 Improvement

Message from the Chair

It is my pleasure to present the 2011/12 Annual Report for Partnerships British Columbia Inc. (Partnerships BC or the Company).

This year, Partnerships BC celebrates its 10th year of supporting government in delivering public infrastructure in a way that provides the best value for taxpayers. The Company has evolved into a mature organization with a track record of successful project delivery.

In 2011/12, Partnerships BC achieved, and in many cases surpassed, its goals, including meeting its financial plan target. Services continue to be in demand, with eight new clients and 19 repeat clients. Client satisfaction surveys and market soundings demonstrate that Partnerships BC is viewed as providing value to both public and private sector partners.

The Company's reputation and experience have also resulted in requests to provide advisory services and planning support on a number of projects for a variety of jurisdictions. In 2011/12, Partnerships BC earned more than 15 per cent of its target revenue from organizations outside of the Province's reporting entity, demonstrating B.C.'s leadership in the innovative delivery of public infrastructure.

Partnerships BC continues to successfully deliver on project milestones. In 2011/12, final project agreements were reached on three projects and five new projects were released into the market. Market involvement also increased with 26 new participants, representing the full spectrum of companies from equity contributors to sub-contractors. Participation from B.C. companies remains high.

While global financial markets have experienced significant turmoil since 2008, the Canadian and British Columbian economies are both stable and attractive, and the Province's commitments are backed by a AAA credit rating.

As a knowledge-driven company in a niche market, Partnerships BC has employees with skills and experience that are highly sought after, both in B.C. and around the globe. As such, employee satisfaction and retention is critical to ongoing success.

Going forward, Partnerships BC will build on its ten years of experience in planning and structuring partnership delivery solutions for public infrastructure and will strive to provide leadership and added value in procurement practices and market development to an increasingly diverse client base.

On behalf of the Board of Directors, I would like to thank Colin Dobell for his service and contribution during his time on the board. I would also like to acknowledge the professionalism and dedication of the entire team at Partnerships BC.

The 2011/12 Partnerships BC Annual Report was prepared under the Board's direction in accordance with the Budget Transparency and Accountability Act. The Board sets performance measures and holds management accountable for the contents of the report and achievement against performance measures. The information presented reflects the actual performance of the Company for the 12 months ended March 31, 2012. All significant decisions, events and identified risks as of March 31, 2012 have been considered in preparing the report.

The information presented is prepared in accordance with the B.C. Reporting Principles and represents a comprehensive picture of the Company's actual performance in relation to the Service Plan.

Sincerely,

Larry Blain,
Chair

YEAR IN REVIEW

2011

MAY

- Final concrete pour at B.C. Cancer Agency Centre for the North
- Jim Pattison Outpatient and Surgery Centre officially opened

JUNE

- Shortlist announced for Interior Heart and Surgical Centre
- B.C. Cancer Agency Centre for the North construction hits labour peak

JULY

- Surrey Pretrial Services Centre Expansion Project Agreement signed
- Surrey Memorial Hospital Redevelopment Expansion begins construction with first concrete pour

Organizational Overview

Partnerships BC was created in May 2002 to support the Province's commitment to sound fiscal management in the delivery of affordable, performance-based infrastructure that meets the needs of British Columbians. Partnerships BC is owned by the Province of British Columbia and is governed by a Board of Directors reporting to its sole shareholder, the Minister of Finance. The Company is incorporated under the British Columbia Business Corporations Act.

Vision

Partnerships BC's continuing vision for 2012 is to be a recognized leader in evaluating, structuring and implementing partnership delivery solutions for public infrastructure which achieve value for money. The Company is focused on delivering consistent value to its clients.

Mandate

Partnerships BC's mandate is to:

- Plan and structure partnership delivery solutions for public infrastructure which are expected to achieve value for money;
- Successfully implement partnership delivery solutions for public infrastructure through leadership in procurement, practices and market development; and
- Maintain a self-sustaining organization and provide added value to an increasingly diverse client base.

How Partnerships BC Serves British Columbians

Partnerships BC serves British Columbians through the planning, delivery and oversight of major infrastructure projects. Partnerships BC's services are critical to the Province's ability to undertake the planning and competitive selection process for complex projects, specifically those involving the use of private sector expertise, services and capital.

Over the last ten years, Partnerships BC has participated in a wide array of partnership projects in many sectors. These projects, which are either operational, under construction, or currently in the competitive selection process, are delivering benefits to British Columbians.

Core Business Areas

Partnerships BC provides a full spectrum of services ranging from business planning and the management of the competitive selection process to advisory services during the design, construction and operations phases. Partnerships BC's specific service offerings are described in the table below.

Partnerships BC Service Offerings

BUSINESS PLANNING	PROCUREMENT PROCESS	POST-FINANCIAL CLOSE
• Early Project Screening • Concept Plans • Procurement Options Assessment • Business Case - Market Sounding - Quantitative Analysis - Risk Analysis - Multiple Criteria Analysis - Procurement Options Analysis	• Competitive Selection Management • Evaluation Management • Contract Negotiations • Service Integration - Consultant Reporting • Project Reporting	• Design and Construction Phase Support and Advice • Operations Phase Advice

KNOWLEDGE MANAGEMENT • GUIDANCE DOCUMENTS AND TEMPLATES • STRATEGIC COMMUNICATIONS
STAKEHOLDER MANAGEMENT • PROJECT GOVERNANCE

RECOMMENDATIONS TO TREASURY BOARD

Principal Partners, Clients and Stakeholders

Partnerships BC provides project structuring services from the business planning stage through the competitive selection process and into design, construction and operations. Key clients include public sector agencies such as ministries, Crown corporations, health authorities, advanced education institutions, municipal governments, the federal government, and other jurisdictions.

To strengthen the market in B.C., Partnerships BC builds relationships with the business community, including private sector developers, investors, the advisory and financial services sector, and providers of construction, engineering and facilities management services. The Company also builds relationships with other jurisdictions, both domestic and international, to stay up-to-date on markets outside of B.C.

How Partnerships BC Delivers Services

Partnerships BC's delivers services through a consulting model that is based on a fee-for-service structure and works on a cost recovery basis. Services are provided directly through internal expertise and also by engaging external consultants where specialized advice is required.

Location of Operations

Partnerships BC has offices in the following locations:

2320 – 1111 West Georgia Street
Vancouver BC V6E 4M3

300 – 707 Fort Street
Victoria BC V8W 3G3

YEAR IN REVIEW

2011

AUGUST

- Port Mann/Highway 1 passes 50 per cent completion

SEPTEMBER

- 140 modular classrooms delivered to schools across the province

OCTOBER

- B.C. Housing renovation project to revitalize 13 Vancouver Single Room Occupancy (SRO) hotels releases Request for Qualifications

Corporate Governance

Partnerships BC is governed by a Board of Directors that ensures the operations of the Company reflect the interests of the Shareholder. The initial Board of Directors was appointed July 15, 2003. Today, the composition of the Board reflects Partnerships BC's unique mandate, with Directors drawn from both the public and private sectors. The Board oversees the conduct of the business of the Company and provides direction to the senior management team, which is responsible for the day-to-day conduct of the business. The Board Chair and the President and Chief Executive Officer meet with the Shareholder on key matters relating to the Company.

The Board follows governance principles as set out in the *Best Practice Guidelines Governance and Disclosure Guidelines for Governing Boards of BC Public Sector Organizations*, published by the Board Resourcing and Development Office of the Ministry of Labour, Citizens' Services and Open Government. Details on Partnerships BC's governance practices, as well as Terms of Reference for the Board, its committees and Directors, can be found at http://www.partnershipsbc.ca/files-4/governance-practices.php.

The Board is supported by two committees. The Audit and Risk Management Committee provides oversight of key financial information. This includes audited financial statements, quarterly financial statements, the Annual Report and any quarterly reports, the Service Plan, annual business plan, operating and capital budgets, and any budget presentations to government. The committee also reviews the Company's risk management, internal controls and information systems.

The Human Resources and Governance Committee assists the Board with human resource issues, compensation matters, the establishment of a plan of continuity, and development of senior management. The committee focuses on corporate governance to enhance the performance of the Company.

Back row (left to right): Brian Bentz, Ed Andersen, Peter Kappel, Dan Doyle; Front row (left to right): Susan Conner, Larry Blain (Chair), Gordon Steele

DIRECTORS	RESPONSIBILITIES
Larry Blain	Chair, Board of Directors
Ed Andersen	Human Resources & Governance Committee
Brian Bentz	Chair, Human Resources & Governance Committee
Susan Conner	Chair, Audit & Risk Management Committee
Dan Doyle	Audit and Risk Management Committee
Peter Kappel	Audit & Risk Management Committee
Gordon Steele	Lead Director and Human Resources & Governance Committee

Senior Management Team

Partnerships BC is structured into strategic service units that support the Company's project focus and operational requirements: Projects, Finance and Administration, and Partnerships Services. These business units and their primary functions are described in the table below.

SENIOR MANAGEMENT TEAM

Sarah Clark, P.Eng.
President and Chief Executive Officer

Doug Ewing, P.Eng.
Vice President
Projects

AREAS OF RESPONSIBILITY
- Business and Market Development
- Project Governance and Delivery
- Senior Project Advice
- Corporate Relations

Chan-Seng Lee
Vice President
Finance and Administration

AREAS OF RESPONSIBILITY
- Finance and Accounting
- Human Resources
- Administration
- Facilities
- Information Technology
- Contract Management
- Corporate Governance

Susan Tinker
Vice President
Partnerships Services

AREAS OF RESPONSIBILITY
- Business Development
- Policy and Practices
- Procurement Services
- Knowledge Management
- Shareholder Relations
- Communications
- Legal Services

Partnerships BC's human resources strategy is based on recruitment and retention, leadership development, training, and performance planning and management.

Partnerships BC has implemented corporate and individual performance goals that support the objectives of each of the service areas. All employee performance plans are tied directly to corporate performance. Certain corporate performance measures are benchmarked against comparable professional service firms in the private sector and comparable public sector agencies. As part of their performance plans, employees are responsible for project deliverables and assisting with partnership development and the development and implementation of guidance documents.

The Partnerships BC website is updated regularly to provide new procurement and milestone information on current and completed projects, project reports, career opportunities and guidance documents. For more information, visit: www.partnershipsbc.ca.

Strategic Context

Global

While many countries are working to resolve financial crises, governments worldwide continue to have critical infrastructure gaps and are using partnership models to deliver successful projects on time and on budget. A capital policy framework similar to British Columbia's is used by many countries, including New Zealand and Australia. There is strong partnership market activity in Asia and in more than 32 U.S. states where supporting legislation has been developed. In addition, there is increased partnership activity in many emerging markets including Brazil, Peru and India. The United Kingdom, a recognized pioneer in innovative partnerships, continues to use private financing in delivering infrastructure. Infrastructure UK forecasts 500 projects valued at £250 billion will be built between 2011 and 2015, and approximately two thirds of those will include private financing.

National

The world financial markets have experienced significant turmoil since 2008, but Canada's has been relatively stable, making the Canadian market more attractive for investors.

Between 2002 and 2012, more than 160 partnership projects have been or are being delivered across Canada, reflecting a mature and experienced market with a wide range of active participants. Jurisdictions across Canada continue to work together to achieve a consistent approach to procurement to increase the attractiveness of the broader Canadian market. Partnerships BC has been a significant part of this success.

Provincial

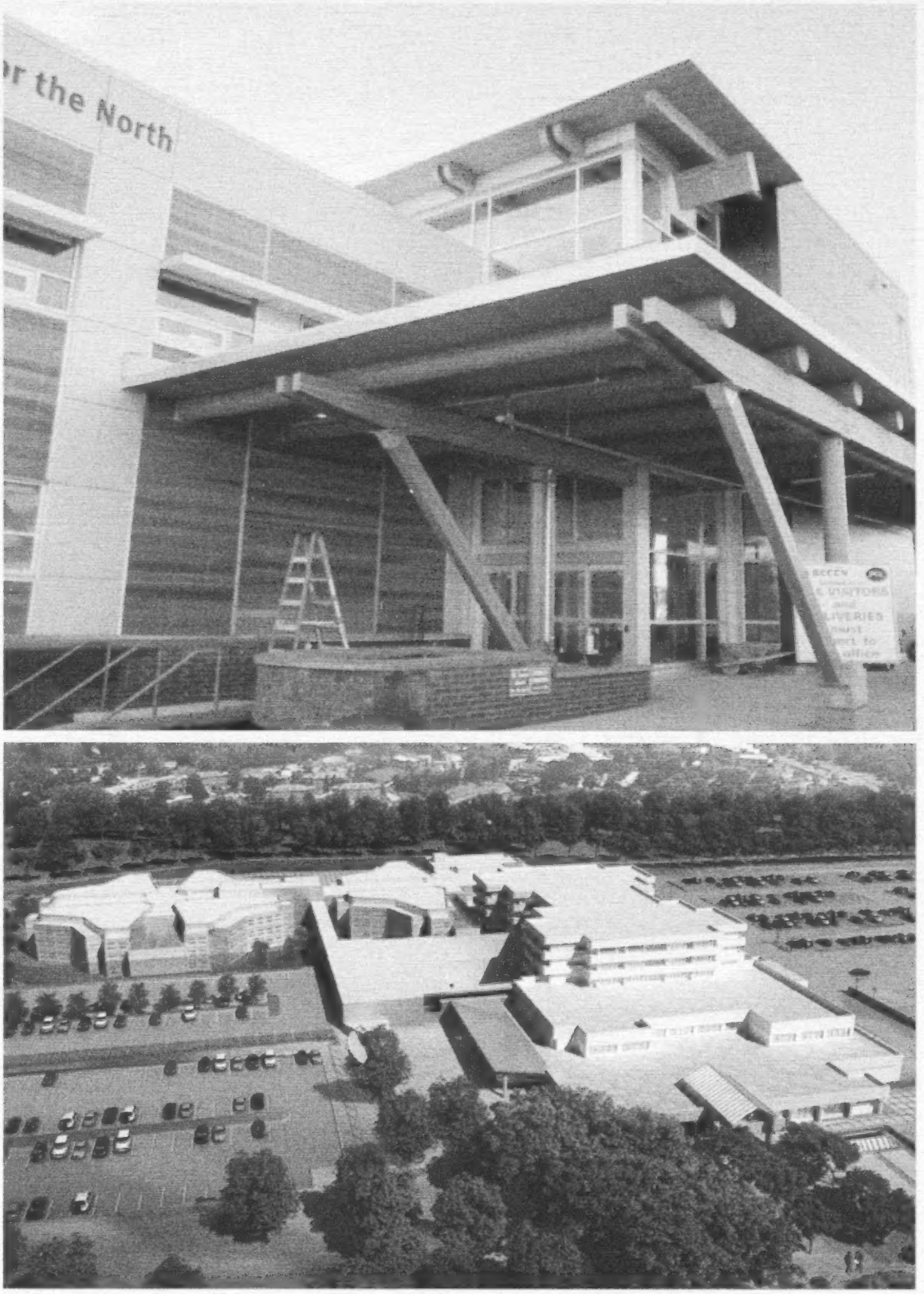
The B.C. partnerships market remains one of the most attractive in the world. The economy has remained stable, and government commitments are backed by a AAA rating. As a result, B.C. is seen as a stable market and safe haven for investment. Canada's bond market continues to evolve, creating more flexibility and stability with regard to financing options since the credit crisis. This has resulted in decreased project finance costs, particularly with the Province's commitment to optimize, rather than maximize, the amount of private finance in transactions.

Partnerships BC continues to build on its reputation as a centre of expertise and a flexible and reliable service provider. The Company's role remains focused on the planning, procurement and implementation of major projects.

Partnerships BC supports the Province's climate action plan to reduce greenhouse gas emissions and improve energy efficiency in public sector buildings. A component of the Company's innovation, leadership and expertise is focused on helping clients deliver energy efficient infrastructure and new sources of green energy.

"The Partnerships BC led procurement process was one of the smoothest we have been a part of and led to the formation of an incredibly successful long-term partnership on both the public and private sides of the project."

- Jamieson Knowlton, Vice-President, Brookfield Financial



Top: BC Cancer Agency Centre for the North; Bottom: Artist Rendering of Surrey Pretrial Services Centre

Report on Performance

YEAR IN REVIEW

2011

NOVEMBER

- Evergreen Line Request for Proposals released
- Sea-to-Sky Highway Improvement Project and Surrey Pretrial Services Expansion Project win Gold at the Canadian Council for Public-Private Partnerships (CCPPP) Awards

2012

FEBRUARY

- 100 Day Countdown to Kelowna General Hospital grand opening
- BC Housing SRO Renewal Initiative Project releases Request for Proposals

Partnerships BC had a successful year in 2011/12 with three projects in two sectors reaching financial close. Five projects in the transportation, health, energy, and public housing sectors were in active procurement; and a number of projects were in the business planning stage. There has been growth in post-financial close advisory services business and in the work revenues generated from business with other jurisdictions.

Affordability best practices were implemented for all projects in the business planning and procurement stages, ensuring that project benefits will be delivered within budget. During 2011/12, a total of 34 guidance and template documents were either developed or updated, including a proposal evaluation methodology package, a review of health projects, and a methodology to evaluate the ongoing cost implications of building designs.

In 2011/12, Partnerships BC continued its efforts to create a strong, coordinated Canadian market. The Company worked with other Canadian jurisdictions to promote consistency in the development and application of best practices to ensure both the B.C. and broader Canadian markets remained attractive to market participants. Ongoing efforts are producing results with 26 new market participants on Partnerships BC projects this year. Participation from BC companies remains high and new market participants included the full spectrum of British Columbian, Canadian and international companies from equity participants to sub-contractors.

Performance Results

Building on the platform of success established over ten years of operation and reflecting both the vision of the Board of Directors and the needs of the Shareholder, the Company focused on three corporate goals for the 2011/12 fiscal year:

1. Plan and structure partnership delivery solutions for public infrastructure projects which are expected to achieve value for money (25 per cent).
2. Successfully implement partnership delivery solutions for public infrastructure through leadership in procurement practices and market development (50 per cent).
3. Maintain a self-sustaining organization and provide added value to an increasingly diverse client base (25 per cent).

The Company's three corporate goals, along with the strategies, measures and targets for achieving those goals, were selected to reflect the nature of the advisory services business model under which Partnerships BC operates and the maturity of the public private partnership market.

The senior management team presented Partnerships BC's performance results to the Board of Directors at the end of 2011/12 and the Board determined that the Company achieved, and in most cases surpassed, its corporate goals.

Results (Based on 2011/12 Corporate Goals)

In 2011/12, Partnerships BC developed new corporate goals and measures that better reflect a more mature partnership market in B.C. as well as the opportunity to provide support to clients with projects in the construction and operations phases. Furthermore, with years of experience in the planning and procurement of major projects, Partnerships BC is in a position to provide additional value to clients. As a result of this change, the new measures are not directly comparable with previous years' goals and measures.

GOAL 1 – PLAN AND STRUCTURE PARTNERSHIP DELIVERY SOLUTIONS FOR PUBLIC INFRASTRUCTURE PROJECTS WHICH ARE EXPECTED TO ACHIEVE VALUE FOR MONEY (25 PER CENT)

Partnerships BC shares with its clients a commitment to planning and structuring the optimal delivery solution for public infrastructure projects that provide value to British Columbians. Partnerships BC adds value to projects through business case analysis that determines the best procurement method. Each project requires careful consideration and evaluation of project risks and how best to manage those risks to protect taxpayers' dollars.

The demand for infrastructure in the health, transportation, accommodation, and energy sectors continues. Partnerships BC is focused on opportunities in these and other sectors. Partnerships BC supports clients in analyzing the best competitive selection model for complex projects.

STRATEGIES TO ACHIEVE GOAL 1:

- Implemented ongoing assessments of current and completed projects and used the feedback in subsequent projects.
- Worked closely with the Ministry of Finance and clients throughout the planning process to ensure procurement model recommendations are aligned with government priorities.

	2011/12 PERFORMANCE	
PERFORMANCE MEASURES	TARGET	RESULTS
Effective planning and approval processes which incorporate all relevant learnings	• Concept plan and business case milestones achieved • Number of new and repeat clients • Positive client feedback • Positive board assessment of cross-project learnings	• All controllable project milestones achieved • Number of new clients: eight; Number of repeat clients: 19 • Received positive client feedback • Positive board assessment received
Consistent use of recommended methodology for procurement options analysis	• Documented use of recommended methodology	• Recommended methodology consistently used on all projects
Achieve anticipated value for money at financial close	• Positive Board assessment of value for taxpayer dollars at financial close	• Received positive Board assessment based on achieving anticipated value for taxpayer dollars at financial close where applicable

GOAL 2 – SUCCESSFULLY IMPLEMENT PARTNERSHIP DELIVERY SOLUTIONS FOR PUBLIC INFRASTRUCTURE THROUGH LEADERSHIP IN PROCUREMENT, PRACTICES AND MARKET DEVELOPMENT (50 PER CENT)

A continued focus for Partnerships BC is designing and implementing competitive selection processes that are efficient, fair and transparent. As one measure of efficiency, the Company established a procurement benchmark for partnerships projects of 18 months from the date the Request for Qualifications (RFQ) is issued to when the final project agreement is reached. Efficient competitive selection processes help to save time and money for both the public and private sectors. Partnerships BC remains committed to maintaining a high level of public disclosure related to procurements, consistent with government policy.

Project success starts with creating an attractive market for project participants. Creating a strong and competitive market for projects encourages innovation and increases value for clients and taxpayers. In turn, international companies will invest in B.C. and partner with local firms to take advantage of their expertise.

As the partnership program has matured and more projects have entered the construction and operations phase, Partnerships BC is well-positioned to provide support based on its knowledge of how project agreements are structured, and the allocation of roles and responsibilities between the public and private sector partners. There was concerted effort to review projects in the operations stage to provide real-time feedback on subsequent projects.

STRATEGIES TO ACHIEVE GOAL 2:

- Implemented ongoing assessments of current and completed projects and used feedback in future projects.
- Reinforced B.C.'s reputation as an attractive market for major infrastructure projects and promoted individual projects to ensure strong bidder response.
- Managed fair, transparent and consistent competitive selection processes.

	2011/12 PERFORMANCE	
PERFORMANCE MEASURES	TARGET	RESULTS
Conduct efficient procurement processes which incorporate all relevant cross-project learnings	• Project procurement milestone of 18 months • Documented use of recommended methodology • Positive client feedback • Positive Board assessment of incorporation of cross-project learnings	• Project procurement milestones met within 18 months • Received positive client feedback • Use of recommended methods documented and reviewd by Board • Received positive Board assessment
Level of competition and ongoing market development	• Positive Board assessment of competition level • Number of new or repeat market participants • Market composition (international or local)	• Received positive Board assessment • 26 new market participants • Market composition included local, national, and international participants
Achieve successful implementation on projects	• Positive client feedback • Positive private partner feedback • Other performance indicators developed by September 2011	• Received positive client feedback • Demonstrated positive private partner feedback through increased market participants • Project assessment framework developed and approved by Board
Achieve fair and transparent procurement process Maintain a high level of public disclosure related to procurements, consistent with government policy	• Positive market feedback • Fairness Advisors used on projects, where applicable • Fairness Advisor reports confirm fairness of procurement process • Publish procurement documents and fairness reports on projects, consistent with government policy • Publish a Project Report after final project agreement, where applicable	• Level of participation in new projects demonstrated positive market feedback • Fairness Advisors used where applicable • 100 per cent procurement documents and fairness reports published • 100 per cent reports published after final project agreement

GOAL 3 – MAINTAIN A SELF-SUSTAINING ORGANIZATION AND PROVIDE ADDED VALUE TO AN INCREASINGLY DIVERSE CLIENT BASE (25 PER CENT)

Partnerships BC is committed to the principles of fiscal responsibility and financial independence. As a fee-for-service organization, Partnerships BC must demonstrate its value to clients to ensure repeat business. Over the years, the Company has developed considerable depth of knowledge and expertise, as well as a comprehensive library of guidance documents, templates and project examples to support clients with new projects in new sectors. Knowledge management and transfer are key components of demonstrating value to clients.

Partnerships BC continued to diversify with new clients and new sectors where its expertise can add value. The Company continues its outreach activities to help develop and maintain a positive reputation amongst key stakeholders, decision makers and influencers to help secure current and prospective clients. In addition to providing services within B.C., Partnerships BC provides services to clients in other jurisdictions. This creates opportunities for BC companies to participate in other markets, in alignment with the Province's job creation and investment goals.

Partnerships BC strives to create a positive corporate culture for its employees; the ability to attract and retain high-performing staff is critical to achieving corporate goals. A key component of the Company's recruitment and retention strategy is an effective compensation philosophy that includes the need to maintain a meaningful degree of competitiveness with the relevant external labour market. Training and development programs are offered to employees as a means of developing and preparing staff for career advancement. The results of the annual employee satisfaction survey are compared to industry standards and are an indication of the Company's performance.

STRATEGIES TO ACHIEVE GOAL 3:

- Respond to client needs and focus on providing value-added services.
- Diversify expertise as required to support all aspects of clients' needs.
- Implement business development activities to grow business outside of the provincial entity.

	2011/12 PERFORMANCE	
PERFORMANCE MEASURES	TARGET	RESULTS
Achieve financial plan	• Meet Board approved net income margin • Maintain sufficient equity to support six months of operations • Achieve weighted average utilization of 60 per cent to 70 per cent • Achieve utilization rate (including work under the government services contract) of 85 per cent	• Exceeded net income margin: - 6.5 per cent actual - 0.2 per cent budget • Maintained sufficient equity to support six months of operations • 68 per cent utilization on projects • 91 per cent utilization (including government services contract)
Increase diversity of client base	• Number of engagements with new clients	• Eight new client engagements
Maintain and develop required employee levels and skill sets Maintain a positive professional culture	• Comparison of voluntary turnover to industry standards • Achieve a minimum of four out of five from annual employee satisfaction survey • Provide appropriate professional development opportunities	• Eight per cent voluntary turnover (6.9 per cent in private industry) • Exceeded four out of five employee approval rating • Completed leadership development and coaching programs
Develop and maintain a positive reputation amongst key stakeholders, decision makers and influencers	• Positive reputation for Company amongst key stakeholders • Outreach activity that includes conferences and client or government workshops • External validation (eg. awards and informed media coverage)	• Positive media coverage • Active stakeholder outreach program initiatives • Two major project awards

Performance Measurement

On an annual basis, the Board reviews the performance measures and provides recommendations for change, if necessary.

Although the Canadian partnership market has been expanding over the last few years, there are no other agencies either nationally or internationally that are structured with the same service delivery model as Partnerships BC. Therefore, it is not possible to provide benchmark comparisons with other highly-analogous organizations.

Partnerships BC holds a unique place in the market, acting as both advisor to government and as the gateway to partnership opportunities for the business sector. Qualitative measures reflect the nature of the service provided and the focus on customer service. Quantitative measures, such as standard measures of commercial viability, reflect the need to remain effective and efficient in operations. The performance measures and targets selected reflect the nature of the advisory services business model under which Partnerships BC operates and the maturity of the partnership market. The performance measures are designed to measure the effectiveness of planning, procurement outcomes, client satisfaction outcomes, and to measure sustainability.

Partnerships BC is confident that the performance measures used are reliable, accurate and valid. The Company tracked data from a number of sources throughout 2011/12, including:

- The financial plan presented to the Board of Directors, which is benchmarked against comparable corporations;
- Project milestones and comparison of milestones achieved based on project plans;
- A knowledge management strategy was used to track and catalogue guidance documents, best practices and project precedents; and
- Information from client and employee satisfaction review processes.

The management team presented an operations report to the Board each quarter, tracked progress against the Service Plan, and took corrective action as necessary to ensure it remained on-track to achieve its corporate goals.

The Canadian PPP market is now one of the most mature in the world. The country has managed to deliver a string of successful projects over recent years, worth a combined £20 billion, and has a strong pipeline going forward.

– Partnerships Bulletin, 2012

Future Performance (2012/13 – 2014/15)

The goals, strategies and measures are critical to Partnerships BC as they form the base from which key priorities relating to the corporate mandate are evaluated. Since 2002, the Company has been guided by the annual Shareholder's Letter of Expectation from which the Board of Directors has developed Partnerships BC's vision, corporate goals, performance measures and service model. On an annual basis, the Board of Directors reviews the Company's goals and performance measures and provides recommendations for change, if necessary.

A recent review by the Board of Directors recommended that performance measures be revised to more accurately reflect the maturity and experience of Partnerships BC. The revised quantitative performance measures are included in this year's Service Plan and will improve the tracking of Partnerships BC's progress in delivering on its key priorities.

Partnerships BC will employ a number of strategies to support achieving its goals and revised performance measures, including:

- Maintain focus on providing core services from planning through operations phases;
- Continue to apply expertise to large or complex projects;
- Diversify business with new clients and new sectors;
- Support clients in the area of capital program planning and project governance; and
- Continue to engage with key stakeholders in the business community and market to generate awareness, support, and understanding for major project benefits and delivery methods.

Future Goals, Measures and Targets (2012/13 – 2014/15)

GOAL 1: PLAN AND STRUCTURE PARTNERSHIP DELIVERY SOLUTIONS FOR PUBLIC INFRASTRUCTURE WHICH ARE EXPECTED TO ACHIEVE VALUE FOR MONEY	
MEASURE	TARGET
Procurement options analysis and recommendation aligns with government objectives	100 per cent of projects
Projects achieve value for taxpayer dollars at financial close	100 per cent of projects

GOAL 2: SUCCESSFULLY IMPLEMENT PARTNERSHIP DELIVERY SOLUTIONS FOR PUBLIC INFRASTRUCTURE THROUGH LEADERSHIP IN PROCUREMENT, PRACTICES AND MARKET DEVELOPMENT	
MEASURE	TARGET
Total competitive selection process time from Request for Qualifications to Financial Close	18 months for Design Build Finance Maintain/Operate projects 12 months for Design Build projects
Level of competition and ongoing market development	Minimum of four qualified respondents at the RFQ stage of every competitive selection process
Achieve level of satisfaction with customer competitive selection process and implementation phase work	85 per cent customer satisfaction rating
Involvement in Post Financial Close (PFC) engagements	Minimum of five per cent of annual revenue target
Participation in active competitive selection processes	Three to five competitive selection processes per year

GOAL 3: MAINTAIN A SELF-SUSTAINING ORGANIZATION AND PROVIDE ADDED VALUE TO AN INCREASINGLY DIVERSE CLIENT BASE	
MEASURE	TARGET
Annual financial performance meets Board-approved net income target	Meet approved income target
Achieve appropriate balance between work with Province and work with other jurisdictions	Minimum of 15 per cent (of revenue target) of work with other jurisdictions on an annual basis.
Satisfactory employee survey results	Minimum four out of five from annual employee satisfaction survey

Risk and Capacity Issues

Partnerships BC identified a number of risks and opportunities for 2011/12 and going forward. The Company implemented the strategies outlined below to both mitigate risk and realize opportunities. Risks were managed so as to not materially affect corporate results.

RISK CATEGORY	DESCRIPTION	MITIGATION STRATEGIES
Service Offerings	Scope of business focus and client base may be too small for long term sustainability, making long term financial independence difficult.	Continued to consult with government agencies to understand the infrastructure needs and to identify project opportunities. Offered clients a diverse range of project delivery services, including program and policy development.
Successful Implementation of Projects	Projects may experience problems or changes during the various phases (design, construction or operations) if the appropriate budget and governance frameworks are not in place.	Applied best practices during the planning and competitive selection process (including costing, affordability, evaluation and governance), as well as providing advisory services during design, construction and operations stages. Best practices and experiences were communicated across projects.
Market Capacity and Participation	The Province may face challenges relating to market growth in competing jurisdictions, leading to diluted market participation and diminished competition.	Continued to develop and maintain relationships with market participants through focused workshops and information sessions. Continued to apply consistent approaches to planning and implementing projects to maintain an attractive market in B.C.
Interest Rates	Availability of private capital for infrastructure projects, cost of capital, and fixed financial terms during the proposed evaluation and negotiation phase may reduce or negate value for money proposition estimated in the business case phase. Expected value for money may not be achieved at financial close.	Remained highly informed on financial market conditions and optimized the use of private and public debt to achieve risk transfer in projects where financing was used.

RISK CATEGORY	DESCRIPTION	MITIGATION STRATEGIES
Internal Experience and Capacity	Difficulty with retaining and attracting individuals with the right expertise to deliver services. There could be a potential decrease in service quality and capacity. Employees are actively recruited by private sector.	Recruited from both the public and private sector. Conducted external compensation reviews and human resource strategies to benchmark against comparable public and private sector organizations. Provided continuous learning opportunities through targeted and relevant training.
Technological Capacity	Partnerships BC maintains a library of core documents and manages a large volume of essential information on behalf of clients. Electronic loss or corruption of that information is an ongoing concern.	Maintained redundant IT systems with frequent and regular data back-ups. The system is reviewed annually and updated as required.

The work of Partnerships BC offers infrastructure innovators in North America a tremendous resource to connect with proven best practices and a track record of success.

– Dan Carol, Director of Multi-State Initiatives
Office of Governor John Kitzhaber (Oregon)

Progress Against Government's Letter of Expectations

The Government's Letter of Expectations between the Shareholder (the Government of British Columbia) and Partnerships BC provides the Government's annual direction to the Crown agency and is an agreement on the parties' respective accountabilities, roles and responsibilities. The Letter confirms the Company's mandate and priority actions, articulates the key performance expectations and forms the basis for the development of Partnerships BC's Service Plan and Annual Service Plan Report. The Government's Letter of Expectations is reviewed and updated as required.

SPECIFIC DIRECTION TO THE COMPANY	PARTNERSHIPS BC ACTIONS IN 2011/12
Remain commercially viable on an ongoing basis by ensuring that Partnerships BC's revenues meet or exceed expenses.	• Sought to diversify its revenue base by leveraging its experience and commercial skills. • Exceeded budgeted target net income margin of zero per cent. • Did not increase service rates. • Maintained cash on hand to support six months of operations. • Obtained 15 per cent of work revenue from other jurisdictions.
Identify annual targets for the agency's productivity measures, where appropriate.	• Identifed and achieved annual productivity targets with utilization rates of 68 per cent and 91 per cent.
Continue to work with the Ministry of Finance to ensure that the proposed affordability best practices and temporary credit measures are aligned with the principles of Capital Asset Management Framework and provide ongoing advice to the Ministry of Finance on other areas of capital asset management (e.g. wood first policy).	• Remained highly informed on financial market conditions and worked with Provincial Treasury to develop deal structure innovations to respond to changing market conditions. • Continued to optimize the use of private debt where applicable; there was no need for temporary credit measures. • Maintained existing library of guidance documents, templates and project examples to support new projects and ensure alignment with the Capital Asset Management Framework. • Responded to requests from the Ministry of Finance for specific advice and support.
Provide analysis, recommendations and a proposed strategic plan (including revised goals and performance measures) to the Ministry of Finance concerning opportunities for Partnerships BC to expand its role in the planning and management of those capital projects that: • Use partnerships and other procurement methods. • Seek to meet Government's energy needs in a more effective and efficient manner.	• Partnerships BC provided a strategic plan to the Ministry of Finance, focusing on leveraging its experience and commercial skills into new sectors, with a focus on the energy sector and multi-procurement projects. The plan includes: - Revisions to Partnerships BC's vision statement, corporate goals and performance measures which are reflected in this Annual Report. - Identification of opportunities to diversify the Company's client base; and which seek to meet the Province's energy needs effectively and efficiently. For example, the company worked with BC Hydro on a variety of procurement projects. - Identification of additional opportunities to lever experience gained.

SPECIFIC DIRECTION TO THE COMPANY	PARTNERSHIPS BC ACTIONS IN 2011/12
Engage early and work closely with line ministries/agencies, Treasury Board Staff and other relevant central agencies to ensure that the key service issues, costs, benefits, and risks related to the PPP projects are clearly identified and updated in a timely manner throughout the project review and approval process. To provide opportunities for further collaboration on PPP projects and support timely engagement, Partnerships BC and client ministries should provide regular updates to Treasury Board Staff and other central agencies on specific emerging and current PPP projects. Partnerships BC should also facilitate ongoing dialogue with Treasury Board Staff and other central agencies on the PPP policy model and market (e.g. changes in credit market conditions).	• Encouraged an open dialogue between clients and approval entities, especially in the early stages of project development and approval. • Provided Treasury Board Staff with regular status updates on projects and the partnership market.
Comply with Government's CEO compensation framework for Crown Agencies.	• Compensation for President and CEO aligned with Government's framework for Crown Agencies.
Continue to improve transparency for PPP projects by expanding strategies to further educate key stakeholders about its quantitative methodology and the benefits of partnership procurement models for major capital projects. Specific strategies to be undertaken by Partnerships BC may include expanding public education about PPP projects and reviewing opportunities to simplify and streamline public Project Reports.	• Expanded level of stakeholder outreach through conference participation, market and client workshop delivery, and regular stakeholder dialogue. • Undertook review of Project Report template to improve readability and presentation of key information to the public. • Continued to advise clients of the benefits on proactive disclosure of procurement documents, guidance documents, and templates.

"Partnerships BC has a depth of procurement and construction experience that just isn't available within most line departments. People there have been fundamental on several of our programs, helping us successfully deliver projects with everything from business case development to procurement delivery."

– Phillip Chambers, Regional Manager
Capital Management Branch, Ministry of Education

Top: Sea-to-Sky Highway; Bottom: South Fraser Perimeter Road

Management's Discussion and Analysis

Overview

Partnerships British Columbia (Partnerships BC or the Company) is a company owned by the Province of British Columbia (the Province) and is governed by a Board of Directors reporting to its Shareholder, the Minister of Finance. The Company's vision is to be a recognized leader in evaluating, structuring, and implementing partnership delivery solutions for public infrastructure which achieve value for money. The Company is focused on delivering consistent value to its clients and is committed to its long-term viability. Partnerships BC provides a variety of planning services to public sector agencies wishing to explore innovative options for building and managing public infrastructure like highways, bridges, hospitals, public transit and educational facilities.

This Management's Discussion and Analysis (MD&A) of Partnerships BC is intended to be read in conjunction with the audited financial statements and accompanying notes. The results reported have been prepared in accordance with Canadian public sector accounting standards as established by the Canadian Institute of Chartered Accountants' Public Sector Accounting (PSA) Board and are presented in Canadian dollars. These financial statements are the first set of financial statements for which Partnerships BC has applied the Canadian public sector accounting standards. As a result of this change, the descriptions of the Company's March 31, 2012 and 2011 financial statements have been changed as follows:

CANADIAN GAAP	PSA STANDARDS
Statements of Income and Retained Earnings	Statement of Operations
Balance Sheets	Statement of Financial Position
Statements of Cash Flows	Statement of Cash Flows
New Statement	Statement of Change in Net Financial Assets
New Statement	Statement of Change in Accumulated Operating Surplus
New Statement	Statement of Remeasurement Gains and Losses

The Company has early adopted the accounting standards contained in PS 1201 - Financial statement presentation and PS 3450 - Financial instruments in the preparation of these financial statements. The impact on conversion to Canadian PSA standards and the early adoption of PS 1201 and PS 3450 on the accumulated operating surplus at the beginning of the 2011 fiscal year, at the date of transition and on the comparative annual surplus is presented on the statement of change in accumulated operating surplus.

In addition, unrealized gains and losses from changes in the fair value of financial instruments are recognized in the statement of remeasurement gains and losses. Upon settlement, the cumulative gain or loss is reclassified from the statement of remeasurement gains and losses and recognized in the statement of operations.

This MD&A contains forward-looking statements, including statements regarding business and anticipated financial performance of the Company. Forward-looking statements are subject to a number of risks and uncertainties that may cause actual results or performance to differ materially from forecasted results expressed or implied.

Highlights in 2011/12

1. Projects which reached financial close

During the year, the following projects reached a final project agreement:

- Surrey Pretrial Services Centre Expansion Project
- BC Hydro Smart Metering System
- BC Hydro Meter Data Management System

2. Projects in the market

During the year, the following projects were in the market:

- Evergreen Line Rapid Transit Project
- Interior Heart and Surgical Centre Project
- John Hart Generating Station Replacement Project
- BC Hydro Smart Metering Revenue Protection Program
- BC Housing Single Room Occupancy Renewal Initiative

3. Exceeded financial plan target—revenue either meets or exceeds expenses

Partnerships BC's annual operating surplus and remeasurement gains were $549,262 for the year ended March 31, 2012.

4. Strong financial position

Partnerships BC's cash increased to $7,896,412 in 2011/12 from $7,478,294 in 2010/11.

5. Achievements and awards

The following projects received awards during the year:

- Surrey Pretrial Services Centre Expansion Project – CCPPP Gold Award for Project Financing
- Sea-to-Sky Highway Improvement Project – CCPPP Gold Award for Service Delivery

Annual Financial Performance

Comparison of 2011-12 and 2010-11 Financial Performances

In fiscal 2011/12, Partnerships British Columbia Inc. (Partnerships BC or the Company) continued with its business model which was based solely on revenues from work fees.

Work fee revenues from eight projects which either reached a final project agreement or were in procurement contributed to the Company's revenues in 2011/12. This was a reflection of the strong pipeline of projects in 2010/11 flowing into 2011/12. The Company had revenues of $8,469,672 in 2011/12 compared to $8,532,161 in 2010/11. Even though, this resulted in a decrease in revenues of one per cent, the Company still exceeded its financial goal targets. Furthermore, this was accomplished with fewer employees and contractors in 2011/12. As a result, there was a decrease in total expenditures which led to an annual operating surplus for 2011/12 of $547,973 compared to $218,611 in 2010/11.

In fiscal 2011/12, the majority of work fee revenue was generated from projects in the procurement phase namely:

- Evergreen Line Rapid Transit Project,
- Interior Heart and Surgical Centre Project,
- John Hart Generating Station Replacement Project,
- BC Hydro Smart Metering Revenue Protection Program, and
- BC Housing Single Room Occupancy Renewal Initiative.

In addition to the projects in procurement, Partnerships BC also generated work fees from the following projects in the planning stage:

- North Island Hospitals,
- Ministry of Education Procurement Studies,
- Wood Innovation and Design Centre,
- Children's and Women's Hospital,
- Okanagan Correctional Centre,
- Lakes District Hospital and Health Centre, and
- Queen Charlotte/Haida Gwaii Hospital Replacement Project.

Lastly, Partnerships BC also provided advisory services during design, construction and operations for the Fort St. John Hospital and Residential Care, the BC Cancer Agency Centre for the North and the Surrey Pretrial Services Centre Expansion projects.

The table below presents a comparison of selected statement of operations of the current fiscal year with those of the previous fiscal year.

			(% of revenues)	
	2012	2011	2012	2011
Revenues	$ 8,469,672	$ 8,532,161	100.0%	100.0%
Project recoveries	3,745,278	4,286,974	44.2%	50.2%
Project expenses	3,745,278	4,286,974	44.2%	50.2%
Salaries and benefits	5,997,531	6,288,920	70.8%	73.7%
General and administrative expenses	1,762,916	1,883,497	20.8%	22.0%
Amortization	161,252	141,133	1.9%	1.7%
Annual operating surplus	$ 547,973	$ 218,611	6.5%	2.6%

Revenues

The table below provides details of the Company's revenues by category.

			(% of revenues)	
	2012	2011	2012	2011
Work fees	$ 8,335,470	$ 8,404,771	98%	99%
Other revenue	134,202	127,390	2%	1%
	$ 8,469,672	$8,532,161	100%	100%

Gross revenues for the year ended March 31, 2012 were $8,469,672 of which $8,335,470 was from work fees and $134,202 from other revenue. In comparison, gross revenues for the year ended March 31, 2011 were $8,532,161 of which $8,404,771 was from work fees and $127,390 from other revenue.

Partnerships BC's work fees are based on the amount of project work available and the required number of professional staff to complete them. During the year, Partnerships BC had 36.7 Full Time Equivalents (FTEs) compared to budget of 41.6 FTEs for 2011/12 and 37.4 FTEs for 2010/11. Partnerships BC's business model requires the Company to resource its projects to ensure that it is meeting its responsibilities and providing value for its services. A formal client satisfaction survey was conducted in 2011/12, confirming a high level of client satisfaction.

Going forward, Partnerships BC's 2012/13 Service Plan anticipates that the Company will meet its revenue growth target while employing approximately 41.8 FTEs employees and contractors without any increase in hourly charge-out rates. Similar to 2011/12, revenue growth for 2012/13 will be based entirely on work fees, which includes an emphasis to diversify the Company's client base where its expertise can add value. In addition, Partnerships BC will continue to provide services to clients in other jurisdictions. This strategy aligns with the Province's goal to provide opportunities for job creation and investment for local and other Canadian companies.

The table below provides changes to the Company's revenues by category.

	2012	2011	Change	%
Work fees	$ 8,335,470	$ 8,404,771	$ (69,301)	-0.8%
Other revenue	134,202	127,390	6,812	5.3%
	$ 8,469,672	$ 8,532,161	$ (62,489)	-0.7%

Work Fees

Work fees typically reflect the cost of providing services and are not directly related to milestone events or performance.

Work fees were recognized from a number of provincial government ministries, Crown corporations and non-ministry sources. In 2011/12, Partnerships BC's clients included:

- Ministry of Health and Provincial Health Authorities,
- Ministry of Transportation and Infrastructure,
- Ministry of Labour, Citizens' Services and Open Government,
- Ministry of Education,
- B.C. Crown Corporations,
- B.C. Vocational Institutes,
- Other Provincial Governments,
- Municipalities, and
- Government of Canada.

The table below provides details of the Company's work fees by sector.

	2012	2011	(% of revenues) 2012	2011
Ministry of Health and Provincial Health Authorities	$ 1,994,570	$ 1,908,576	23.9%	22.7%
Ministry of Transportation and Infrastructure	1,526,839	1,919,946	18.3%	22.9%
Ministry of Labour, Citizens' Services and Open Government	504,305	665,465	6.1%	7.9%
Ministry of Education	239,240	520,763	2.9%	6.2%
B.C. Crown Corporations	2,442,483	1,731,669	29.3%	20.6%
B.C. Vocational Institutes	28,176	98,741	0.3%	1.2%
Other Provincial Governments	631,861	36,876	7.6%	0.4%
Government of Canada	119,813	657,037	1.4%	7.8%
Others	848,183	865,698	10.2%	10.3%
	$ 8,335,470	$ 8,404,771	100.0%	100.0%

Provincial Government Services

Under the terms of the previous government services contract, which expired on March 31, 2010, the Province provided the Company with an annual payment for services related to the development of policy and practices, communications strategy and the partnership market.

Under the provisions of the current agreement, the Company continues to provide the services described above at no cost to the Province and the term will be automatically renewed for successive periods of one year.

Other services provided to the Province which are not covered under the government services contract were completed under separate negotiated contracts. Any revenue earned from these contracts was recorded under work fees.

Project Recoveries

Project recoveries represent reimbursable project expenses such as legal, financial, consulting and other fees that are normally recovered directly from the project. For the year ended March 31, 2012, project recoveries were $3,745,278 compared to $4,286,974 for the year ended March 31, 2011. The decrease in project recoveries can be due to a number of factors, including the number of projects that were in procurement, that reached a final project agreement and that entered the market during the year.

Other Revenue

Other revenue consists of interest income earned on surplus cash. For the year ended March 31, 2012, other revenue was $134,202 compared to $127,390 for the year ended March 31, 2011. The increase was due to the increase in interest rates on term deposits, money market instruments and Canadian government securities.

Comparison to Budget

The table below provides details of the Company's actual and budgeted revenues for 2011/12.

	2012 Actual	2012 Budget	Change	%
Work fees	$ 8,335,470	$ 8,994,160	$ (658,690)	-7.3%
Other revenue	134,202	41,000	93,202	227.3%
	$ 8,469,672	$ 9,035,160	$ (565,488)	-6.3%

For the year ended March 31, 2012, gross revenues were 6.3 per cent below budget. Work fee revenue is a function of the number of professional staff and their corresponding utilization rates. For the year ended March 31, 2012, the Company's utilization rate was 68 per cent for projects. The budgeted utilization rate for projects for 2011/12 was 66 per cent. Even though the utilization rate on projects exceeded the budget, the billable hours were met with approximately 36.7 FTE employees compared to a budget of 41.6 FTEs. This meant that the Company met its financial plan targets with fewer FTEs.

The lower number of FTEs also contributed to a reduction in Partnerships BC's total expenditures. Compensation costs and administration costs were 13.9 per cent and 5.9 per cent below budget respectively. More detailed explanations are provided below.

Expenses

The table below provides details of the Company's operating expenses for 2011/12 and 2010/11.

	2012	2011	Change	%
Salaries and benefits	$ 5,997,531	$ 6,288,920	$ (291,389)	-4.6%
Administration	361,301	361,054	247	0.1%
Building occupancy	609,435	597,816	11,619	1.9%
Communications	28,691	33,647	(4,956)	-14.7%
Information systems	266,679	239,080	27,599	11.5%
Professional services	338,001	460,488	(122,487)	-26.6%
Travel	158,809	191,412	(32,603)	-17.0%
Amortization	161,252	141,133	20,119	14.3%
	$ 1,924,168	$ 2,024,630	$ (100,462)	-5.0%
Total Operating Expenses	$ 7,921,699	$ 8,313,550	$ (391,851)	-4.7%
% of expenses over revenues	93.5%	97.4%		
% of general and administrative expenses over revenues	22.7%	23.7%		

For the year ended March 31, 2012, there was a decrease in operating expenses of $100,462 or 5.0 per cent compared to last year. The decrease was primarily attributable to the following:

- Communications;
- Professional services; and
- Travel

The decrease in communications costs of $4,956 was primarily attributable to a decrease in the utilization of external communications consultants as there were sufficient internal communications resources to meet all project and corporate responsibilities.

The decrease in professional services of $122,487 was due to a reduction in the number of specific initiatives. Fiscal 2010/11 included the completion of several initiatives which were carried over from 2009/10, including the completion of the Company's executive and staff compensation review and the employee 360 feedback and review process undertaken for staff. In addition, 2010/11 also included certain one-time costs as a result of the transition to a new President and CEO and an executive search process for a new Vice President, Projects which was completed in Q4 of 2010/11.

The Company's executive and staff compensation review is normally scheduled to be completed once every two years by an external consultant. Partnerships BC recognizes that a key component of the Company's recruitment and retention strategy is an effective compensation philosophy and the need to maintain a meaningful degree of competitiveness with the relevant external labour market. An executive and staff compensation review, which started in 2010/11, was completed in 2011/12. The external labour market selected was a combination of public and private sector organizations which compete with Partnerships BC for experienced project and professional staff. Presently, Partnerships BC is bound by the provincial mandated compensation guidelines for its President and CEO, senior management and staff. In addition, Partnerships BC is required to comply with the Province's President and CEO compensation framework for Crown Agencies. Any changes to these guidelines or framework will require approval from the government organization responsible for overseeing compensation for provincial government ministries, Crown corporations and other provincial organizations.

Travel costs were $158,809 in 2011/12 compared to $191,412 in 2010/11, resulting in a decrease of $32,603. The Company has a travel policy which requires all travel to be either for business development or recoverable from projects or conferences or failing that, to be pre-approved by senior management. In addition, attendance at conferences where the organizer does not pay for Partnerships BC's representative to attend is only approved where there are significant professional development benefits. The continued adherence to these policies led to the decrease in travel costs in spite of carrier fuel surcharges and increases in air fares.

Information systems costs were $266,679 in 2011/12 compared to $239,080 in 2010/11. The increase was attributable to start up costs associated with the new unified communications system acquired at the end of 2010/11.

Salaries and benefits expenses (which included consultants and one employee who was on maternity leave) were $5,997,531 in 2011/12 compared to $6,288,920 in 2010/11. The decrease in salaries and benefits was primarily attributable to fewer FTEs in the current year and reduced reliance on the use of consultants in 2011/12 to resource short-term projects. The Company continued to implement its human resources strategy which is to contract with consultants on short-term projects and prior to hiring them as full-time employees.

Comparison to Budget

The table below provides details of the Company's actual and budgeted expenses for 2011/12.

	2012 Actual	2012 Budget	Change	%
Salaries and benefits	$ 5,997,531	$ 6,969,071	$ (971,540)	-13.9%
General and Administrative Expenses				
Administration	361,301	337,050	24,251	7.2%
Building occupancy	609,435	592,064	17,371	2.9%
Communications	28,691	38,240	(9,549)	-25.0%
Information systems	266,679	236,200	30,479	12.9%
Professional services	338,001	470,000	(131,999)	-28.1%
Travel	158,809	179,000	(20,191)	-11.3%
Amortization	161,252	192,931	(31,679)	-16.4%
	$ 1,924,168	$ 2,045,485	$ (121,317)	-5.9%
	$ 7,921,699	$ 9,014,556	$ (1,092,857)	-12.1%
% of expenses over revenues	93.5%	99.8%		
% of general and administrative expenses over revenues	22.7%	22.6%		

Salaries and benefits for the year ended March 31, 2012 were under budget by $971,540. The Company had budgeted for a full complement of employees and consultants, which included new hires for vacant and maternity positions and timely replacement of employees who resigned or retired from Partnerships BC. Although the budget was for 41.6 FTEs, Partnerships BC had 36.7 FTEs in 2011/12. The budget did not include one employee who was on maternity leave in 2011/12. In addition, the Company did not fully replace all its departed employees; instead, the Company promoted from within and contracted with individuals who were Project Directors and Senior Consultants with public private partnership and project management experience to provide short-term project resources.

Total general and administration costs for the year ended March 31, 2012 were under budget by $121,317. This was largely due to the reduced communications, professional services, travel and amortization expenses during the year.

Communications expenses for the year ended March 31, 2012 were under budget by $9,549 as the Company did not completely use its communications consultants' budget, as there were sufficient internal resources to complete the required communications initiatives in 2011/12.

Professional services for the year ended March 31, 2012 were under budget by $131,999 as the Company did not fully use its budget for external consultants.

Administration costs for the year ended March 31, 2012 were over budget by $24,251 primarily due to an increase in professional memberships, dues and subscriptions, and access to media publications.

Travel expenses for the year ended March 31, 2012 were under budget by $20,191. During the year, the Company continued to implement its travel policy which requires all travel to be either for business development or recoverable from projects or conferences or failing that, to be pre-approved by senior management. In addition, attendance at conferences where the organizer does not pay for Partnerships BC's representative to attend is only approved where there are significant professional or business development benefits.

Total expenses for the year ended March 31, 2012 as a percentage of revenues were 93.5 per cent compared to budget of 99.8 per cent. General and administrative expenses for the year ended March 31, 2012, as a percentage of revenues, were in line with budget expectations, 22.7 per cent versus 22.6 per cent.

Statement of Financial Position

The table below presents a comparison of selected financial position items of the current fiscal year with those of the previous fiscal year.

	2012	2011	Change	%
Financial Assets				
Cash	$ 7,896,412	$ 7,478,294	$ 418,118	5.6%
Accounts receivable	2,669,154	3,036,616	(367,462)	-12.1%
Portfolio investments	4,097,790	4,050,785	47,005	1.2%
Total Financial Assets	14,663,356	14,565,695	97,661	0.7%
Liabilities				
Accounts payable and accrued liabilities	1,945,675	2,464,688	(519,013)	-21.1%
Total Liabilities	1,945,675	2,464,688	(519,013)	-21.1%
Net Financial Assets	$ 12,717,681	$ 12,101,007	$ 616,674	5.1%
Non-Financial Assets	$ 324,179	$ 391,591	$ (67,412)	-17.2%
Accumulated Surplus	$ 13,041,860	$ 12,492,598	$ 549,262	4.4%

Cash increased by $418,118 from $7,478,294 as at March 31, 2011 to $7,896,412 as at March 31, 2012. The increase in cash was due to operations during the year and improved working capital (collection of accounts receivable net of payments for accounts payable and accrued liabilities). Portfolio investments increased $47,005 from $4,050,785 as at March 31, 2011 to $4,097,790 as at March 31, 2012. The Company's portfolio investments are invested and managed in accordance with the Company's Board-approved statement of investment policies and procedures. In addition, the Company regularly discusses its cash and portfolio investments and how to strategically use the funds with its Shareholder, the Minister of Finance.

Accounts receivable decreased by $367,462 from $3,036,616 as at March 31, 2011 to $2,669,154 as at March 31, 2012. Current accounts receivable represented 95 per cent of the balance at year-end reflecting improved collection of outstanding receivables. There was no provision for doubtful accounts as at March 31, 2012. Furthermore, the weighted average number of days outstanding improved from 12 days in 2010/11 to 11 days in 2011/12 which contributed to the increase in cash at year-end. This exceeded the Company's requirement to meet its benchmark of 40 days for the weighted average number of days outstanding.

There were no significant changes to other current assets. Amortization expense was $161,252, net of $109,368 in capital asset additions, which consisted of computer hardware and software, furniture and equipment, and was under budget in comparison to the Company's approved 2011/12 capital expenditures budget.

Liabilities and accumulated surplus

Accounts payable and accrued liabilities decreased by $519,013 from $2,464,688 as at March 31, 2011 to $1,945,675 as at March 31, 2012. The decrease in accounts payable and accrued liabilities directly corresponds to the decrease in accounts receivable as a result of a decrease in year-end accruals for project recoveries.

The increase in accumulated surplus was attributable to an annual operating surplus of $547,973 and remeasurement gain of $1,289.

Statement of Cash Flows

Liquidity and capital resources

The table below presents a comparison of the Company's cash for the current fiscal year with that of the previous fiscal year.

	2012	2011	Change
Cash, beginning of year	$ 7,478,294	$ 6,800,002	$ 678,292
Cash provided by (used by):			
Operating transactions	573,202	919,866	(346,664)
Capital transactions	(109,368)	(207,659)	98,291
Investing transactions	(45,716)	(33,915)	(11,801)
Cash, end of year	$ 7,896,412	$ 7,478,294	$ 418,118

Cash flow from operating transactions

Cash flow from operating activities was $573,202 in 2011/12 in comparison to $919,866 in 2010/11, a decrease of $346,664. The decrease was attributable to an annual operating surplus and remeasurement gains of $549,262 in 2011/12, net of changes to working capital items which included decreases in accounts receivable, and accounts payable and accrued liabilities.

Cash flow from capital transactions

Cash used in capital transactions was $109,368 in 2011/12 in comparison to $207,659 in 2010/11, which resulted in an increase of $98,291. During the year, the Company continued to implement its capital hardware evergreen initiative by replacing its laptops with systems which operate on Microsoft's new Windows 7 operating system and Microsoft's 2007 suite of Office products.

Cash flow from investing transactions

Cash used in investing transactions was $45,716 in 2011/12 in comparison to $33,915 in 2010/11, a decrease of $11,801.

The table below presents a comparison of the Company's working capital position for the current fiscal year with that of the previous fiscal year.

	2012	2011	Change
Cash	$ 7,896,412	$ 7,478,294	$ 418,118
Accounts receivable	2,669,154	3,036,616	(367,462)
Portfolio investments	4,097,790	4,050,785	47,005
Other current assets	51,528	67,056	(15,528)
	14,714,884	14,632,751	82,133
Accounts payable and accrued liabilities	1,945,675	2,464,688	(519,013)
Net working capital	$ 12,769,209	$ 12,168,063	$ 601,146

As at March 31, 2012, the Company's principal sources of liquidity include cash of $7,896,412, accounts receivable of $2,669,154 and portfolio investments of $4,097,790. The Company also has $1,945,675 in accounts payable and accrued liabilities due next year.

Commitments

The Company is committed to payments under operating leases for premises through 2014/15 as follows:

Year	Amount
2013	$ 475,338
2014	404,369
2015	235,882
	$ 1,115,589

The Company's Vancouver and Victoria office leases are scheduled to expire on October 31, 2014 and August 31, 2012 respectively.

During the year, Partnerships BC did not enter into any contractual obligations or off-balance sheet arrangements. In addition, the Company did not have any pending litigation or contingencies as at March 31, 2012.

Selected Annual Information

The following table presents selected financial information for the years ended March 31, 2012, 2011, 2010, 2009 and 2008.

	2012	2011	2010	2009 (Note 1)	2008 (Note 1)
Total revenues	$ 8,469,672	$ 8,532,161	$ 7,973,268	$ 10,152,841	$ 9,176,581
Total operating expenses	$ 7,921,699	$ 8,313,550	$ 7,936,446	$ 8,076,257	$ 7,900,378
Annual operating surplus	$ 547,973	$ 218,611	$ 36,822	$ 2,076,584	$ 1,276,203
Total current assets	$ 14,714,884	$ 14,632,751	$ 13,791,700	$ 14,140,855	$ 66,084,371
Total assets	$ 14,987,535	$ 14,957,286	$ 14,049,709	$ 14,529,375	$ 480,876,808
Total current liabilities	$ 1,945,675	$ 2,464,688	$ 1,778,575	$ 2,295,063	$ 3,288,165
Total liabilities	$ 1,945,675	$ 2,464,688	$ 1,778,575	$ 2,295,063	$ 468,150,980

Note 1: The financial statements for fiscal 2008 include the financial statements of Abbotsford Regional Hospital and Cancer Centre (ARHCC). On May 6, 2008, ownership of ARHCC was transferred to the Fraser Health Authority and the Provincial Health Services Authority as the organizations overseeing the operations of the hospital and cancer centre.

Outlook for Fiscal 2012/13

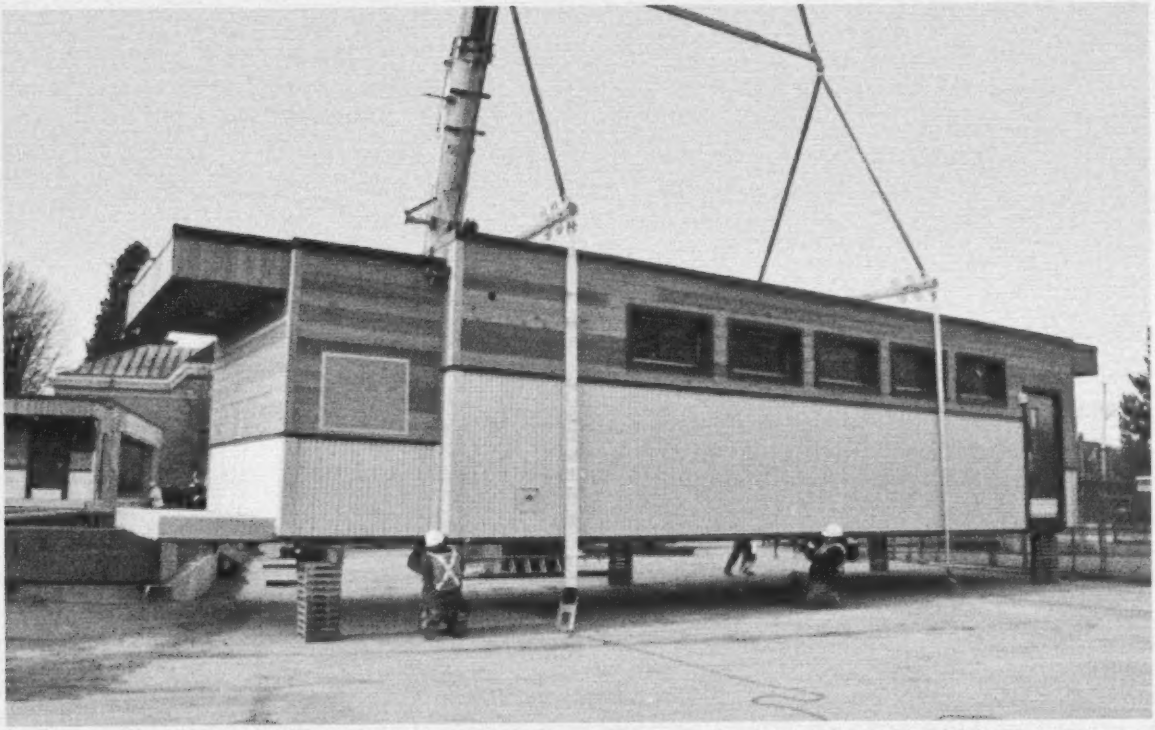
Partnerships BC undertakes the planning and procurement of complex capital projects, specifically those involving the use of private sector expertise, services and capital. Looking forward to 2012/13, Partnerships BC will continue to evaluate, structure and implement partnership delivery solutions for public infrastructure which achieve value for money. In addition, the Company will continue to conduct extensive outreach activities with its current and potential clients, its Shareholder and other stakeholders.

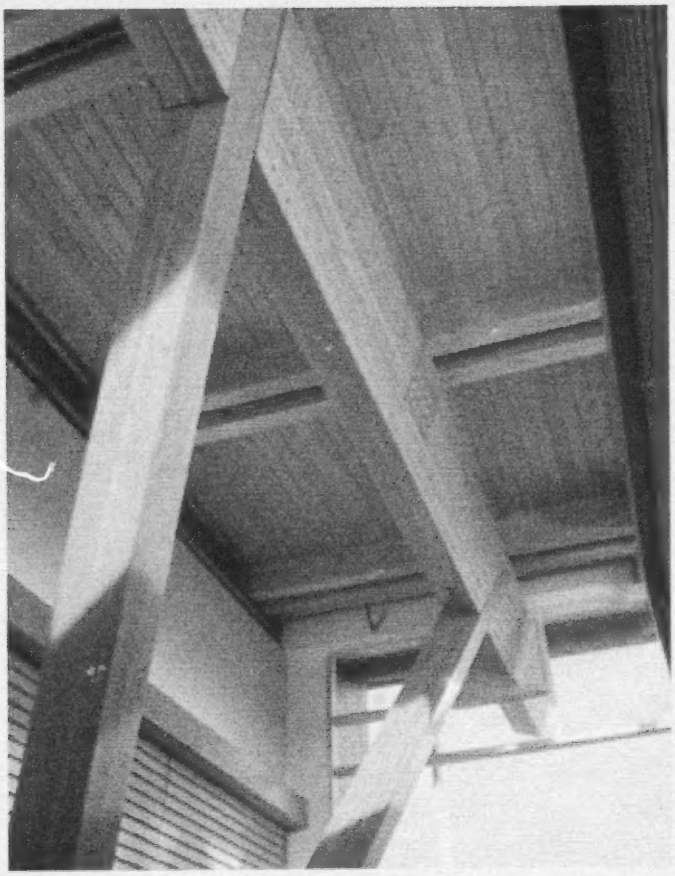
Projects expected to enter the market in the energy, health and accommodation sectors, together with new and existing clients which include other jurisdictions, should enable Partnerships BC to meet its revenue growth and annual surplus targets as outlined in its 2012/13 to 2014/15 Service Plan. A copy of the Service Plan can be found on Partnerships BC's website at www.partnershipsbc.ca.

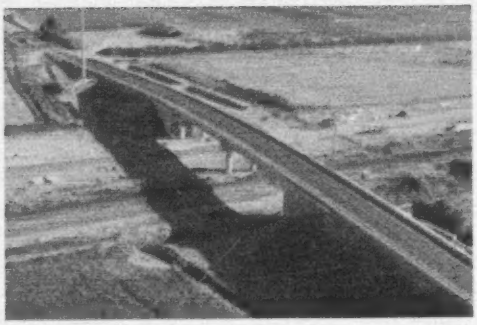
Forecast for Fiscal 2012/13 to 2014/15

The following table presents the forecast for fiscal years 2012/13 to 2014/15 as outlined in Partnerships BC's current Service Plan.

	2013	2014	2015
Revenue			
Work fees	$ 9,039,680	$ 9,310,870	$ 9,591,100
Other revenue	82,000	82,060	82,122
Total Revenue	9,121,680	9,392,930	9,673,222
Expenditures			
Salaries and benefits	7,129,149	7,343,023	7,563,314
Professional services	380,000	391,400	403,142
Administration	1,373,523	1,418,049	1,495,328
Corporate relations	48,240	49,687	51,178
Amortization	166,347	159,948	104,892
Total Expenditures	9,097,259	9,362,107	9,617,854
Project recoveries	4,240,000	4,340,000	4,360,000
Project recoverable expenses	(4,240,000)	(4,340,000)	(4,360,000)
	–	–	–
Annual Operating Surplus	$ 24,421	$ 30,823	$ 55,368







Clockwise from top: Modular Classroom Project; South Fraser Perimeter Road; Royal Jubilee Hospital Care Centre; BC Cancer Agency Centre for the North

Management Report

The financial statements of Partnerships British Columbia Inc. for the year ended March 31, 2012, have been prepared by management in accordance with Canadian public sector accounting standards. These financial statements present fairly the financial position of Partnerships British Columbia Inc. as at March 31, 2012.

Management is responsible for the preparation of the financial statements and has established a system of internal controls to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and financial records provide reliable information for the preparation of the financial statements.

The Board of Directors carries out its responsibility for the review of the financial statements. The Board meets with management and the external auditor to discuss the results of audit examinations and financial reporting matters. The external auditor has full access to the Board.

BDO Canada LLP has performed an independent audit of the financial statements of Partnerships British Columbia Inc. The Independent Auditor's Report outlines the scope of their examination and expresses an opinion on the statements of Partnerships British Columbia Inc.

Sarah Clark
President and Chief Executive Officer
Partnerships British Columbia Inc.

Chan-Seng Lee, CA
Vice President, Finance and Administration
Partnerships British Columbia Inc.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Shareholder of Partnerships British Columbia Inc.

We have audited the accompanying financial statements of Partnerships British Columbia Inc., which comprise the Statement of Financial Position as at March 31, 2012, March 31, 2011 and April 1, 2010 and the Statements of Operations, Change in Accumulated Operating Surplus, Remeasurement Gains and Losses, Change in Net Financial Assets, and Cash Flows for the years ended March 31, 2012 and March 31, 2011, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Partnerships British Columbia Inc. as at March 31, 2012, March 31, 2011 and April 1, 2010 and the results of its operations and its cash flows for the years ended March 31, 2012 and March 31, 2011, in accordance with Canadian public sector accounting standards.

BDO Canada LLP

Chartered Accountants

Vancouver, British Columbia
June 1, 2012

BDO Canada LLP, a Canadian limited liability partnership, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

PARTNERSHIPS BRITISH COLUMBIA INC.

Statement of Financial Position

AS AT MARCH 31, 2012 WITH COMPARATIVES FOR MARCH 31, 2011 AND APRIL 1, 2010

	March 31, 2012	March 31, 2011	April 1, 2010 (Note 2b)
Financial assets			
Cash	$ 7,896,412	$ 7,478,294	$ 6,800,002
Accounts receivable (Note 3)	2,669,154	3,036,616	2,907,116
Portfolio investments (Note 4)	4,097,790	4,050,785	4,014,017
Total Financial Assets	14,663,356	14,565,695	13,721,135
Liabilities			
Accounts payable & accrued liabilities (Note 5)	1,945,675	2,464,688	1,778,575
Total Liabilities	1,945,675	2,464,688	1,778,575
Net financial assets	12,717,681	12,101,007	11,942,560
Non-financial assets			
Prepaid expenses	51,528	67,056	70,565
Tangible capital assets (Note 7)	272,651	324,535	258,009
Total Non-financial Assets	324,179	391,591	328,574
Accumulated surplus (Note 8)	$ 13,041,860	$ 12,492,598	$ 12,271,134
Accumulated surplus is comprised of:			
Accumulated operating surplus	13,036,885	12,488,912	12,270,301
Accumulated remeasurement gains	4,973	3,684	831
Share capital	2	2	2
	$ 13,041,860	$ 12,492,598	$ 12,271,134

The accompanying notes and supplementary schedules are an integral part of these financial statements.

APPROVED ON BEHALF OF THE BOARD

L. Blain, Chair

S. Conner, Director

PARTNERSHIPS BRITISH COLUMBIA INC.

Statement of Operations

FOR THE YEARS ENDED MARCH 31, 2011 AND 2012

	Budget (Note 13)	March 31, 2012	March 31, 2011
Revenue			
Work fees	$ 8,994,160	$ 8,335,470	$ 8,404,771
Other revenue	41,000	134,202	127,390
Total Revenues	9,035,160	8,469,672	8,532,161
Expenses			
Administration	337,050	361,301	361,054
Amortization	192,931	161,252	141,133
Building occupancy	592,064	609,435	597,816
Communications	38,240	28,691	33,647
Information systems	236,200	266,679	239,080
Professional services	470,000	338,001	460,488
Salaries and benefits	6,969,071	5,997,531	6,288,920
Travel	179,000	158,809	191,412
Total Expenses	9,014,556	7,921,699	8,313,550
Reimbursable costs			
Project recoveries	3,364,000	3,745,278	4,286,974
Project expenses	3,364,000	3,745,278	4,286,974
Net reimbursable costs	–	–	–
Annual operating surplus	20,604	547,973	218,611
Accumulated operating surplus, beginning of year	12,488,912	12,488,912	12,270,301
Accumulated operating surplus, end of year	$ 12,509,516	$ 13,036,885	$ 12,488,912

The accompanying notes and supplementary schedules are an integral part of these financial statements.

PARTNERSHIPS BRITISH COLUMBIA INC.

Statement of Change in Accumulated Operating Surplus

FOR THE YEARS ENDED MARCH 31, 2011 AND 2012

	March 31, 2012	March 31, 2011
Accumulated operating surplus, beginning of year, as originally reported	$ 12,492,596	$ 12,271,132
Adjustments to accumulated operating surplus: Change on transition to Public Sector Accounting Standards (Note 2b)	(3,684)	(831)
Accumulated operating surplus, beginning of year, restated	12,488,912	12,270,301
Annual operating surplus for the year, as originally reported	549,262	221,464
Change on transition to Public Sector Accounting Standards (Note 2b)	(1,289)	(2,853)
Annual operating surplus for the year, restated	547,973	218,611
Accumulated operating surplus, end of year	$ 13,036,885	$ 12,488,912

The accompanying notes and supplementary schedules are an integral part of these financial statements.

PARTNERSHIPS BRITISH COLUMBIA INC.

Statement of Remeasurement Gains and Losses

FOR THE YEARS ENDED MARCH 31, 2011 AND 2012

	March 31, 2012	March 31, 2011
Accumulated remeasurement gains, beginning of year	$ 3,684	$ 831
Plus: Unrealized gains attributable to: Portfolio investments	47,005	36,768
Less: Amounts reclassified to the statement of operations: Portfolio investments	45,716	33,915
Net remeasurement gains for the year	1,289	2,853
Accumulated remeasurement gains, end of year	$ 4,973	$ 3,684

The accompanying notes and supplementary schedules are an integral part of these financial statements.

PARTNERSHIPS BRITISH COLUMBIA INC.

Statement of Change in Net Financial Assets

FOR THE YEARS ENDED MARCH 31, 2011 AND 2012

	Budget (Note 13)	March 31, 2012	March 31, 2011
Annual operating surplus	$ 20,604	$ 547,973	$ 218,611
Acquisition of tangible capital assets	(149,441)	(109,368)	(207,659)
Amortization of tangible capital assets	192,931	161,252	141,133
	43,490	51,884	(66,526)
Acquisition of prepaid expenses	–	(201,157)	(174,284)
Use of prepaid expenses	–	216,685	177,793
	–	15,528	3,509
Effect of remeasurement gains for the year	–	1,289	2,853
Increase in net financial assets for the year	64,094	616,674	158,447
Net financial assets, beginning of year	12,101,007	12,101,007	11,942,560
Net financial assets, end of year	$ 12,165,101	$ 12,717,681	$ 12,101,007

The accompanying notes and supplementary schedules are an integral part of these financial statements.

PARTNERSHIPS BRITISH COLUMBIA INC.

Statement of Cash Flows

FOR THE YEARS ENDED MARCH 31, 2011 AND 2012

	March 31, 2012	March 31, 2011
Operating transactions		
Annual operating surplus	$ 547,973	$ 218,611
Non-cash item included in surplus:		
Amortization of tangible capital assets	161,252	141,133
	709,225	359,744
Changes in operating accounts		
Accounts receivable	367,462	(129,500)
Prepaid expenses	15,528	3,509
Accounts payable and accrued liabilities	(519,013)	686,113
	(136,023)	560,122
Total operating transactions	573,202	919,866
Capital transactions		
Purchase of tangible capital assets, net	(109,368)	(207,659)
	(109,368)	(207,659)
Investing transactions		
Increase in portfolio investments	(45,716)	(33,915)
	(45,716)	(33,915)
Net increase in cash	418,118	678,292
Cash, beginning of year	7,478,294	6,800,002
Cash, end of year	$ 7,896,412	$ 7,478,294

The accompanying notes and supplementary schedules are an integral part of these financial statements.

PARTNERSHIPS BRITISH COLUMBIA INC.

Notes to Financial Statements

FOR THE YEARS ENDED MARCH 31, 2011 AND 2012

1. Nature of Operations

Partnerships British Columbia Inc. (Partnerships BC or the Company) is a company owned by the Province of British Columbia and is governed by a Board of Directors reporting to its sole shareholder: the Minister of Finance. The Company was incorporated under the British Columbia Business Corporations Act in May 2002. It has 2 issued shares which are held by the Minister of Finance.

The Company's vision is to be a recognised leader in evaluating, structuring, and implementing partnership delivery solutions for public infrastructure which achieve value for money. The Company is focused on delivering consistent value to its clients. Partnerships BC provides a variety of planning services to public sector agencies wishing to explore innovative options for building and managing public infrastructure like highways, bridges, hospitals, public transit and accommodations facilities.

The Company's core business is to:

- Provide specialized services to the Province and its agencies in the procurement of major public projects, ranging from advice to business transactions, procurement management, and implementation.
- Provide advice to the Province and its agencies on partnership project management, deal structure, risk management, procurement, and the selection and engagement of consultants.
- Foster a positive business and policy environment for successful projects and related activities by continually expanding B.C's base of knowledge, understanding and expertise in these areas.
- Manage an efficient and leading edge organization that meets or exceeds performance expectations.

The Company's clients are public sector agencies, including ministries, Crown corporations and local authorities such as regional health authorities. To serve these clients effectively, Partnerships BC is also working to build strong relationships with private sector partners such as businesses, investors and the financial services sector.

Partnerships BC is exempt from income taxes under the Income Tax Act.

2. Summary of Significant Accounting Policies

a. Basis of accounting

These financial statements are prepared by management in accordance with Canadian Public Sector Accounting Standards.

b. Conversion to Public Sector Accounting Standards

Commencing with the 2011/12 fiscal year, Partnerships BC has adopted Canadian Public Sector Accounting ("PSA") standards as issued by the Public Sector Accounting Board. These financial statements are the first financial statements for which Partnerships BC has applied the PSA standards.

The transition date for the new PSA standards was April 1, 2010. All comparative figures presented throughout these financial statements are prepared in accordance with the requirements of the new standards.

First time adoption standards also require that an opening statement of financial position for the first year of retroactive adoption be presented. Therefore, the statement of financial position includes a column as at the transition date of April 1, 2010.

2. Summary of Significant Accounting Policies *(cont'd)*

The Company has early adopted the accounting standards contained in PS 1201 - Financial statement presentation and PS 3450 - Financial instruments in the preparation of these financial statements. The impact on conversion to Canadian public sector accounting standards and the early adoption of PS 1201 and PS 3450 on the accumulated operating surplus at the beginning of the 2011 fiscal year, at the date of transition and on the comparative annual surplus is presented on the statement of change in accumulated operating surplus. These accounting changes have been applied retroactively with restatement of prior periods.

There is no impact on the accumulated surplus at the date of transition on the conversion to PSA standards (Note 8).

c. Portfolio investments

Partnerships BC invests in government and corporate debt securities through pooled fund products managed by the British Columbia Investment Management Corporation (bcIMC), a corporation established under the Public Sector Pension Plans Act.

Unrealized gains and losses from changes in the fair value of financial instruments are recognized in the statement of remeasurement gains and losses. Upon settlement, the cumulative gain or loss is reclassified from the statement of remeasurement gains and losses and recognized in the statement of operations. Interest and dividends attributable to financial instruments are reported in the statement of operations.

d. Employee future benefits

The employees of Partnerships BC belong to the Public Service Pension Plan (the Plan), which is a multi-employer joint trustee plan. This Plan is a defined benefit plan, providing a pension on retirement based on the member's age at retirement, length of service and highest earnings averaged over five years. Inflation adjustments are contingent upon available funding.

The joint board of trustees of the Plan determines the required Plan contributions annually.

The contribution of Partnerships BC to the Plan is recorded as an expense for the year.

e. Tangible capital assets

Tangible capital assets are recorded at cost, which includes amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of the assets. Cost includes overhead directly attributable to construction and development, as well as interest costs that are directly attributable to the acquisition or construction of the asset.

The cost, less residual value, of the tangible capital assets, excluding land, is amortized on a straight-line basis over their estimated useful lives as follows:

- Computer software 2 years
- Computer hardware 3 years
- Furniture and equipment 5 years
- Leasehold improvements 5 years

Tangible capital assets are written down when conditions indicate that they no longer contribute to Partnerships BC's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The net write-downs are accounted for as expenses in the statement of operations.

f. Prepaid expenses

Prepaid expenses include insurance premiums and travel costs and are charged to expense over the periods expected to benefit from it.

g. Revenue recognition

Revenues are recognized in the period in which the transactions or events occurred that gave rise to the revenues. All revenues are recorded on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable.

Revenue related to fees or services received in advance of the fee being earned or the service is performed is deferred and recognized when the fee is earned or service performed.

h. Expenses

Expenses are reported on an accrual basis. The cost of all goods consumed and services received during the year is expensed.

i. Measurement uncertainty

The preparation of financial statements in conformity with PSA standards, requires management to make estimates and assumptions that affect the reporting amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of the revenues and expenses during the period. Items requiring the use of significant estimates include the useful life of capital assets, estimated employee benefits, rates for amortization and the impairment of assets.

Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these financial statements. Actual results could differ from these estimates.

3. Accounts Receivable

	March 31, 2012	March 31, 2011	April 1, 2010
Revenues receivable	$ 2,662,703	$ 3,034,616	$ 2,904,740
Accrued interest	6,451	2,000	2,376
	$ 2,669,154	$ 3,036,616	$ 2,907,116

There was no provision for doubtful accounts required as at April 1, 2010, March 31, 2011 and 2012.

Included in accounts receivables are the following amounts receivable from government and other government organizations.

	March 31, 2012	March 31, 2011	April 1, 2010
Federal government	$ 272,546	$ 745,611	$ 562,902
Provincial governments	2,261,661	2,218,987	2,300,542
Other government organizations	60,298	48,338	31,031
	$ 2,594,505	$ 3,012,936	$ 2,894,475

4. Portfolio Investments

	March 31, 2012	March 31, 2011	April 1, 2010
Fair market value	$ 4,097,790	$ 4,050,785	$ 4,014,017
Original cost	4,092,817	4,047,101	4,013,186
Unrealized gain	$ 4,973	$ 3,684	$ 831

5. Accounts Payable and Accrued Liabilities

	March 31, 2012	March 31, 2011	April 1, 2010
Accounts payables and accrued liabilities	$ 1,134,346	$ 1,821,899	$ 1,135,428
Salaries and benefits payable	688,959	496,189	522,140
Accrued vacation pay	122,370	146,600	121,007
	$ 1,945,675	$ 2,464,688	$ 1,778,575

6. Employee Future Benefits

Partnerships BC and its employees contribute to the Public Service Pension Plan (the Plan) in accordance with the Public Sector Pension Plan Act. BC Pension Corporation administers the plan, including payment of pension benefits to employees to whom the act applies. The Public Service Pension Plan is a multi-employer, defined benefit plan.

Information about obligations for retirement benefits and other employee future benefits is as follows:

a. Retirement benefits

Pension plan

Partnerships BC and its employees contribute to the Plan in accordance with the Public Sector Pension Plan Act. The Plan provides defined pension benefits to employees based on their length of service and rates of pay. The maximum contribution rate for eligible employees was 9.28 per cent (2011: 9.28 per cent). Partnerships BC's contributions exceed the employee contributions to the Plan. During the year ended March 31, 2012, Partnerships BC contributed $329,567 (2011: $343,425) to the Plan. These contributions are the Company's pension benefit expense. No pension liability for this type of plan is included in the financial statements.

Every three years, an actuarial valuation is performed to assess the financial position of the Plan and the adequacy of Plan funding. The latest valuation as at March 31, 2011 indicated an unfunded liability of $275 million for basic pension benefits.

b. Other employee future benefits

Workplace safety and insurance board obligations

Partnerships BC is an employer under the Workers Compensation Act Part 3 ("Act") and, as such, assumes responsibility for the payment of all claims to its injured workers under the Act. Partnerships BC does not fund these obligations in advance of payments made under the Act. The benefit costs and liabilities related to this plan are included in the financial statements.

7. Tangible Capital Assets

	Computer software	Computer hardware	Furniture and equipment	Leasehold improvements	2012 Total
Cost					
Opening Balance	$ 376,475	$ 642,310	$ 173,370	$ 384,840	$ 1,576,995
Additions	1,348	57,926	43,645	7,334	110,253
Disposals	–	112,733	11,992	–	124,725
Closing Balance	377,823	587,503	205,023	392,174	1,562,523
Accumulated Amortization					
Opening Balance	375,580	410,246	141,100	325,534	1,252,460
Amortization	1,288	111,612	17,302	31,050	161,252
Disposals	–	112,733	11,107	–	123,840
Closing Balance	376,868	409,125	147,295	356,584	1,289,872
Net book value	$ 955	$ 178,378	$ 57,728	$ 35,590	$ 272,651

There were no tangible capital asset write-downs in 2012.

	Computer software	Computer hardware	Furniture and equipment	Leasehold improvements	2011 Total
Cost					
Opening Balance	$ 376,475	$ 441,358	$ 167,973	$ 383,530	$ 1,369,336
Additions	–	200,952	5,397	1,310	207,659
Closing Balance	376,475	642,310	173,370	384,840	1,576,995
Accumulated Amortization					
Opening Balance	354,876	345,122	125,956	285,373	1,111,327
Amortization	20,704	65,124	15,144	40,161	141,133
Closing Balance	375,580	410,246	141,100	325,534	1,252,460
Net book value	$ 895	$ 232,064	$ 32,270	$ 59,306	$ 324,535

	Computer software	Computer hardware	Furniture and equipment	Leasehold improvements	2010 Total
Cost					
Opening Balance	$ 351,549	$ 384,885	$ 159,622	$ 383,530	$ 1,327,690
Additions	24,926	56,473	8,351	–	89,750
Closing Balance	376,475	441,358	167,973	383,530	1,369,336
Accumulated Amortization					
Opening Balance	303,438	280,320	110,364	245,048	939,170
Amortization	51,438	64,802	15,592	40,325	172,157
Closing Balance	354,876	345,122	125,956	285,373	1,111,327
Net book value	$ 21,599	$ 96,236	$ 42,017	$ 98,157	$ 258,009

There were no tangible capital asset disposals or write-downs in 2011 and 2010.

8. Accumulated Surplus

The accumulated surplus is made up as follows:

	March 31, 2012	March 31, 2011	April 1, 2010
Accumulated operating surplus	$ 13,036,885	$ 12,488,912	$ 12,270,301
Accumulated remeasurement gains	4,973	3,684	831
	13,041,858	12,492,596	12,271,132
Share capital	2	2	2
	$ 13,041,860	$ 12,492,598	$ 12,271,134

The authorised share capital is 5,000,000 common shares at no par value.

9. Expenses by Object

The entity is a sole purpose organization and therefore does not report by function and does not provide segmented information.

10. Related Party Transactions

Partnerships BC is related through common ownership to all provincial government ministries, agencies and Crown corporations. The majority of the Company's clients are also provincial government ministries, agencies and Crown corporations.

Transactions with these entities, considered to be in the normal course of operations, are recorded at the exchange amounts. Transfers of assets are recorded at fair value.

In the normal course of operations, Partnerships BC entered into transactions with the province and certain Crown corporations, at prevailing market prices and credit terms.

The statement of operations includes the following transactions with related parties:

	March 31, 2012	March 31, 2011
Fees for services	$ 6,972,969	$ 7,522,720
Other revenue	132,670	122,642
	$ 7,105,639	$ 7,645,362
Operating expenses:		
Professional services	$ 1,208	$ 1,685
Administration	53,649	90,811
	$ 54,857	$ 92,496
Project recoveries	$ 2,323,495	$ 2,792,928

Financial assets and liabilities with related parties as at March 31, 2011 and 2012 were:

	March 31, 2012	March 31, 2011
Accounts receivable	$ 2,040,255	$ 2,213,688
Accounts payable and accrued liabilities	38,418	70,461

11. Commitments

The Company is committed to payments under operating leases for premises through 2014/15 as follows:

Year	Amount
2013	$ 475,338
2014	404,369
2015	235,882
	$ 1,115,589

The Company's Vancouver and Victoria office leases are scheduled to expire on October 31, 2014 and August 31, 2012 respectively.

12. Risk Management

a. Fair value of financial instruments

The fair value of a financial instrument is the estimated amount that the Company would receive or pay to settle a financial asset or financial liability as at the reporting date.

The fair values of accounts receivable and accounts payable and accrued liabilities approximate their carrying values given their short-term maturities.

The fair value of the portfolio investments are determined by reference to published bid price quotations in an active market at year-end.

b. Financial management risk objectives and policies

In the normal course of business, the Company is exposed to financial risks that have the potential to negatively impact its financial performance. These risks may include credit risk, liquidity risk and interest rate risk.

c. General objectives, policies and processes

The Audit and Risk Management Committee has overall responsibility for the determination of the Company's risk management objectives and policies. The Audit and Risk Management Committee has delegated the authority to ensure effective implementation of the objectives and policies of the Company to the President and Chief Executive Officer (CEO) and Senior Management Team. The Audit and Risk Management Committee and Board of Directors receives quarterly reporting from the President and CEO and Senior Management to ensure all processes and policies put in place are effectively meeting the objectives of the Company.

d. Credit risk

Credit risk is the risk that the Company's counterparties will fail to meet their financial obligations to the Company, causing a financial loss.

Accounts receivable arise primarily as a result of consulting work to governments, ministries, agencies and Crown corporations, therefore, collection risk is low. The Company does not consider its exposure to credit risk to be material.

e. Liquidity risk

Liquidity risk is the risk that the Company may be unable to generate or obtain sufficient cash or its equivalent in a timely and cost effective manner to meet its commitments as they come due.

The Company has in place a planning, budgeting and forecasting process to help determine the funds required to support the Company's normal operating requirements. The Company's annual service plan and budget are approved by the Board of Directors. The Company also provides a quarterly forecast to the Audit and Risk Management Committee of the Board of Directors.

12. Risk Management *(cont'd)*

f. Market risk

The Company is exposed to market risk through the fluctuation of financial instrument fair values due to changes in market prices. The significant market risks to which the Company is exposed are interest rate and other price risks.

i. Interest rate risk

The interest rate risk is the risk that the fair value of future cash flows of a financial instrument fluctuates because of changes in market interest rates. Portfolio investments entered into by the Company bear interest at a fixed rate, thus exposing it to the risk of changes in fair value arising from interest rate fluctuations. These portfolio investments are invested in high grade, highly liquid instruments and, as such, the Company manages its exposure to potential interest rate fluctuations in the short-term. The Company has no interest bearing debt.

ii. Other price risk

Other price risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate because of changes in market prices (other than those arising from interest rate risk). The Company is exposed to price risk through its portfolio investments.

As at March 31, 2012, the Company's total exposure to market risk is $4,097,790. The Company's best estimate of the effect on net assets as at March 31, 2012, due to a five per cent increase or decrease in the market value of the investment portfolio, with all other variables held constant, would approximately amount to an increase or decrease of $204,890 respectively. In practice, the actual trading results may differ from this sensitivity analysis and the difference could be material.

g. Sensitivity analysis

The sensitivity analysis included in this note should be used with caution as the changes are hypothetical and are not predictive of future performance. The above sensitivities are calculated with reference to year-end balances and will change due to fluctuations in the balances in the future. In addition, for the purpose of the sensitivity analysis, the effect of a variation in a particular assumption on the fair value of the financial instruments was calculated independently of any change in another assumption. Actual changes in one factor may contribute to changes in another factor, which may magnify or counteract the effect on the fair value of the financial instrument.

13. Budgeted figures

Budgeted figures have been provided for comparison purposes and have been derived from the estimates approved by the Board of Directors. These budgeted figures were included in the Company's 2011/12 - 2013/14 Service Plan.

HIGHLIGHTS

10TH YEAR OF OPERATIONS

FIVE ACTIVE PROCUREMENTS

ALL PROJECT MILESTONES ACHIEVED

EVERGREEN LINE

PORT MANN/HIGHWAY 1 PASSES 50% COMPLETION

26 NEW MARKET PARTICIPANTS

EIGHT NEW CLIENTS AND 19 REPEAT CLIENTS

BROKE GROUND ON FOUR NEW PROJECTS

TWO PROJECTS RECOGNIZED FOR INNOVATION WITH GOLD AWARDS FROM CCPPP

KELOWNA GENERAL HOSPITAL ANNOUNCED TO OPEN AHEAD OF SCHEDULE

140 NEW MODULAR CLASSROOMS BUILT AND DELIVERED TO SCHOOLS ACROSS B.C.

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